N'Level Self-Revision Set 05 – Yuan Ching N'Level Prelim 2024
-PAPER 1-

Answer **all** questions.

1 Aces Trading incurs utilities expense as part of its operations.

	As at 1 May 2023	As at 30 April 2024
	$	$
Utilities expense payable	260	170

The business had paid a total of $2 780 for utilities expense during the year.

REQUIRED

(a) Calculate the utilities expense for the year ended 30 April 2024.

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.... [3]

(b) Prepare the journal entry required to record the year-end adjustment to utilities expense on 30 April 2024. A narration is required.

Journal

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.... [3]

(c) State the effect on profit for the year if the utilities expense payable on 30 April 2024 was **not** adjusted.

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.... [2]

The following ledger account is extracted from Aces Trading's books:

Trade receivable, David

Date 2024	Particulars	Debit $	Credit $	Balance $	
May 1	Balance b/d			4 830	Dr
15	Cash at bank		4 500	330	Dr
15	Discount allowed		330	0	
22	Sales revenue	2 700		2 700	Dr
Jun 1	Balance b/d			2 700	Dr

REQUIRED

(d) Interpret the entries on the following dates:

(i) 15 May 2024

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.... [2]

(ii) 22 May 2024

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.... [1]

On 11 June 2024, David declared bankrupt and Aces Trading decided to write off the amount owing.

REQUIRED

(e) Prepare the journal entry to write off David's account on 11 June 2024. A narration is not required.

<u>Journal</u>

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.... [2]

[Total:13]

2 Anthony is the new accountant at Sims Trading. He just graduated from university and is hired to replace the previous accountant.

The previous accountant was asked to leave because he wrote off the amount owing by a major customer in return for a cash gift from that customer.

REQUIRED

(a) State and explain which principle of professional ethics is violated by the previous accountant's behaviour.

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.... [2]

Anthony knows that the financial statements he prepares are important for stakeholders to make informed decisions.

REQUIRED

(b) Name and explain how another stakeholder, other than the owner, would be interested in the financial statements of the business.

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.... [2]

(c) State the effect of the following transaction on the accounting equation. Include the account name, direction and amount in your answer. Part **(i)** is done as an example.

	Effect of transaction on:		
	Assets	Liabilities	Equity
(i) Sims Trading bought $600 of goods for resale on credit.	*Inventory + $600*	*Trade payable + $600*	
(ii) Sims Trading repaid $10 000 of bank loan with the owner's personal cheque.			

[2]

Anthony was informed that there were a few errors after he prepared a trial balance for Sims Trading as at 31 May 2024.

1 A cheque of $450 received from credit customer Susan was recorded in credit customer Su Shan's account.
2 Faulty goods worth $90 returned to credit supplier Beng was debited to Inventory account and credited to Trade payable, Beng.
3 A cheque payment of $1 050 for advertising expense was recorded as $1 500.

REQUIRED

(d) State the **two** purposes of preparing a trial balance.

1 ....

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2 ....

.... [2]

(e) Explain the limitation of a trial balance to detect errors.

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.... [1]

(f) State the journal entries to correct errors 1 and 2. Narrations are **not** required.

Journal

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.... [4]

(g) State the effect of correcting Error 3 on profit for the year.

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.... [2]

[Total: 15]

3 Furry Babies is a new business, selling pet food and accessories as well as providing pets grooming services.

When getting ready for business, Furry Babies incurred several capital and revenue expenditures.

REQUIRED

(a) State **two** differences between capital and revenue expenditures.

1 ....

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2 ....

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.... [4]

(b) Tick in the corresponding column if the item is capital expenditure or revenue expenditure. Part (i) has been done as an example.

		Capital expenditure	Revenue expenditure
(i)	The business paid $20 000 by cheque to rent the shophouse.		✓
(ii)	The business paid $800 to install ramps at the entrance and in the pets' shower area.		
(iii)	The business bought $3 500 of grooming equipment on credit.		
(iv)	The business bought $400 of pet shampoo by cheque for use in the business.		

[3]

(c) State the source documents used for the following transactions.

		Source document
(i)	The business bought $3 500 of grooming equipment on credit.	
(ii)	The business bought $400 of pet shampoo by cheque for use in the business.	

[2]

Furry Babies installed a camera in the pets' resting area for owners to see if their pets are ready for collection after the grooming services are completed. The camera cost $90 and the accountant recorded this as an expense.

REQUIRED

(d) Explain, with the use of an accounting theory, why the accountant recorded the purchase of the camera as an expense.

[3]

[Total:12]

End of paper

-PAPER 2-

Data for Question 1

Home Elves provides home cleaning and maintenance services for its clients. The following trial balance was extracted from Home Elves' books for the year ended 30 June 2024.

	Dr $	Cr $
Service fees revenue		83 140
Cleaning supplies expense	21 415	
Salaries and wages	49 500	
Trade receivables	8 600	
Trade payables		2 580
Allowance for impairment of trade receivables		310
Cash at bank	6 807	
Long-term borrowings		12 000
Interest expense	480	
Discount received		704
Capital (1 July 2023)		19 234
Drawings	4 306	
Cleaning equipment at cost	25 400	
Accumulated depreciation of cleaning equipment		2 540
Office equipment at cost	4 000	

Additional information:

1 $400 of cleaning supplies expense was paid in advance.

2 $3 470 of service fee revenue was collected in advance.

3 Cleaning equipment is to be depreciated at 10% per annum using the reducing balance method.

4 Office equipment has a scrap value of $300 and is depreciated over 5 years of useful life.

5 The business estimated that 8% of the trade receivables might not be collectible.

Answer **all** questions.

1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the year ended 30 June 2024.

Home Elves
Statement of financial performance for the year ended 30 June 2024

[10]

(b) Prepare the statement of financial position as at 30 June 2024.

Home Elves
Statement of financial position as at 30 June 2024

[10]

[Total: 20]

2 Cool Comforts is a trader of Dri-fit tees. The business prepared the following cash at bank ledger account for the month of April 2024.

Cash at bank

Date	Particulars	Cheque No.	Debit	Credit	Balance	
2024			$	$	$	
Apr 1	Balance b/d				6 365	Dr
5	Simons	421068		807	5 558	Dr
9	Repairs expense	421069		95	5 463	Dr
14	Mei		540		6 003	Dr
18	Cash in hand		185		6 188	Dr
26	Chee		926		7 114	Dr
28	Ravi	421070		2 050	5 064	Dr
May 1	Balance b/d				5 064	Dr

The following bank statement was received on 2 May 2024.

Bank statement for April 2024

Date		Withdrawals	Deposits	Balance	
2024		$	$	$	
Apr 1	Balance b/f			6 520	Cr
3	Cheque 421065	155		6 365	Cr
6	Cheque 421068	807		5 558	Cr
8	Credit transfer - Winston		770	6 328	Cr
12	Cheque 421069	95		6 233	Cr
15	Cheque deposit		540	6 773	Cr
17	Cheque returned unpaid	540		6 233	Cr
18	Cash deposit		185	6 418	Cr
24	Direct debit - Utilities	164		6 254	Cr

REQUIRED

(a) State **one** internal control other than bank reconciliation that could be in place to safeguard a business' cash.

.... [1]

(b) State **one** purpose of internal controls.

.... [1]

(c) Suggest **one** reason for a cheque to be returned unpaid.

.... [1]

(d) Prepare and update the cash at bank ledger account as at 30 April 2024.

Cash at bank account

[4]

(e) Prepare the bank reconciliation statement for the month of April 2024.

Bank reconciliation statement as at 30 April 2024

[4]

(f) State the effect of preparing the bank reconciliation on the profit for the month ended 30 April 2024.

[2]

[Total: 13]

3 Hui is the owner of a matcha-theme café. He had the following balances on 1 January 2023.

	$
Cash at bank	21 445
Fixtures and fittings	7 054
Kitchen equipment	11 137
Bank loan	12 000
Trade payables	9 813
Inventory	4 560
Capital	?

REQUIRED

(a) State the accounting equation.

.... [1]

(b) Calculate the capital as at 1 January 2023.

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.... [2]

Hui had the following transactions in the accounting year ended 31 December 2023.

Feb 4	Hui brought his personal laptop worth $2 500 to the café for business use as he decided to accept online reservations and ordering.
May 19	Hui took a box of matcha macarons costing $25 for his own enjoyment.
Aug 26	He used a business cheque of $6 830 to pay for a family vacation to Japan.

The business had profit for the year amounting to $46 592.

REQUIRED

(c) Calculate the total drawings for the year ended 31 December 2023.

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.... [1]

(d) Prepare the capital account for the year ended 31 December 2023.

Capital account

[4]

(e) Explain "equity".

[1]

(f) State and explain the accounting theory that requires transactions between the owner and the business to be recorded.

[2]

[Total: 11]

4 Hock imports fresh chicken from Malaysia on credit and sells to hawker stalls in Singapore.

On 1 February 2024, Hock had an inventory of 200 chickens with a cost of $1 300.

He had the following transactions in February 2024:

Feb	4	Bought 150 chickens for $900.
	10	Bought 200 chickens for $1 450.
	18	Sold 350 chickens for $3 600.
	25	Bought 100 chickens for $750.

REQUIRED

(a) Calculate the cost of sales for the month of February 2024.

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.... [2]

On 28 February 2024, Hock's truck broke down in the middle of a delivery. A shipment of chicken turned bad and could not be sold anymore. The shipment cost $300.

(b) Prepare the journal entry to record the loss incurred on 28 February 2024. A narration is required.

<u>Journal</u>

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.... [3]

(c) Explain with an accounting theory, how the ending inventory is valued.

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.... [2]

In March 2024, Hock had the following transactions with Fresh Farms who supplied him with fresh chicken on credit terms:

Mar 4	Returned chickens worth $40 to Fresh Farms.
17	Paid $850 cash to Fresh Farms.

REQUIRED

(d) State the double entry for the transactions on 17 March and 26 March 2024.

Date	Account to debit	Account to credit
Mar 4		
17		

[4]

Previously, Malaysia banned the export of live chickens to Singapore.

Hock realised that he had to find another supplier of fresh chickens to ensure the continuity of his business. Therefore, Hock decided to look for one more regular supplier.

	Ayam Farm	Chix Trading
Source country	Indonesia	Singapore
History	Started in 2021	Established since 1990
Unit price	$5	$9
Delivery	Within 10 days	Within 3 days
Credit terms	30 days	Within 15 days

REQUIRED

(e) Advise Hock if he should buy from Ayam Farm or Chix Trading. Justify your choice with **two** reasons.

[5]

[Total: 16]