



MINISTRY OF EDUCATION, SINGAPORE
in collaboration with
CAMBRIDGE ASSESSMENT INTERNATIONAL EDUCATION
General Certificate of Education Normal (Academic) Level

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PRINCIPLES OF ACCOUNTS

7086/02

Paper 2

For examination from 2021

SPECIMEN PAPER

2 hours

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **5** printed pages and **1** blank page.



Singapore Examinations and Assessment Board



Cambridge Assessment
International Education

Answer **all** questions.

- 1 Alisa runs a recruitment agency. The following balances were extracted from the books of Alisa's business on 30 June 2020.

	\$
Service fee revenue	30 270
Rent	5 950
Insurance	2 650
Printing and stationery	295
Commission income	850
General expenses	8 860
Motor vehicle expenses	1 675
Fixtures and fittings at cost	18 500
Motor vehicle at cost	14 650
Accumulated depreciation	
Fixtures and fittings	7 400
Motor vehicle	2 930
Trade receivables	2 680
Trade payables	1 580
Cash in hand	85
Cash at bank	1 245 Credit
Drawings	14 380
Capital at 1 July 2019	25 450

The following information was made available on 30 June 2020.

- 1 Rent, \$550, was paid in advance.
- 2 Payment for stationery, \$66, was owing.
- 3 Fixtures and fittings are to be depreciated at 10% per annum using the straight-line method.
- 4 The motor vehicle is to be depreciated at 20% per annum using the reducing-balance method.
- 5 Included in service fee revenue was an amount of \$1800 received in advance.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 June 2020. [8]
- (b) Prepare the statement of financial position as at 30 June 2020. [12]

[Total: 20]

- 2 Haziq trades as a carpenter. On 1 May 2019, Haziq's business bought a motor van, costing \$7300, on credit from Exe Motors.

REQUIRED

- (a) Prepare the journal entry to record this transaction in the books of Haziq's business. A narration **is** required. [3]
- (b) Explain the meaning of **each** of the following terms:
- (i) Capital expenditure [2]
- (ii) Revenue expenditure [2]

During the year ended 30 April 2020, Haziq's business incurred expenditure in respect of the motor van.

REQUIRED

- (c) Copy the following table onto your answer paper.

	Capital expenditure	Revenue expenditure
Diesel for the motor van		
Painting business name on the motor van		
Motor van service		
Motor van insurance		

Complete the above table by classifying the expenditure by placing a tick (✓) in the appropriate column. [4]

- (d) Explain the materiality theory. [2]

[Total: 13]

- 3 Peng sells garden furniture. Details from the cash at bank account and bank statement for the business for the month of July 2020 are as follows.

Peng

Cash at bank account

Date	Particulars	Cheque number	Debit \$	Credit \$	Balance \$
2020					
July 1	Balance b/d				1925 Dr
2	Rent	1324		750	1175 Dr
5	Cash			500	675 Dr
8	C Lane		652		1327 Dr
15	Sales revenue		1500		2827 Dr
19	Y Brindle	1325		892	1935 Dr
22	J Warren		125		2060 Dr
23	Vanya	1326		324	1736 Dr
28	Drawings	1327		1000	736 Dr
29	Sheng		257		993 Dr
August 1	Balance b/d				993 Dr

Bank statement

Date		Payments \$	Receipts \$	Balance \$
2020				
July 1	Balance b/d			1925 Cr
4	Cheque 1324	750		1175 Cr
5	Cash withdrawal	500		675 Cr
15	Cash		1500	2175 Cr
24	C Lane		652	2827 Cr
26	J Warren		125	2952 Cr
27	Cheque 1325	892		2060 Cr
28	Cheque 1327	1000		1060 Cr
31	Bank charges	72		988 Cr

REQUIRED

- (a) Update the cash at bank account at 31 July 2020. Start with the \$993 debit balance. [3]
- (b) Prepare a bank reconciliation statement at 31 July 2020. [6]
- (c) State **two** reasons why it is important for a business to prepare a bank reconciliation. [2]
- (d) Explain the objectivity theory. [2]

[Total: 13]

- 4 Eric's business trades in sports shoes. On 1 March 2020, the business had an inventory of shoes with a total cost of \$5000 (500 pairs at \$10 each). Eric uses the FIFO (First In First Out) method of inventory valuation. The following transactions took place in March 2020.

March 8 Eric sold 500 pairs of sports shoes to Mei.

12 Eric purchased 40 pairs of sports shoes that cost \$400 on credit from LP Supplies.

19 Eric sold 40 pairs of sports shoes to Yang.

25 Yang returned 40 pairs of sports shoes to Eric.

REQUIRED

- (a) Prepare Eric's business inventory account for March 2020. [6]
- (b) Calculate the cost of sales for March 2020. [3]

Eric's business is considering changing its local supplier to one based overseas, SK Traders.

His business purchases approximately 3000 pairs of sports shoes per annum from LP Supplies, a supplier to Eric's business for ten years.

The following information is available.

	LP Supplies	SK Traders
List price	\$10	\$9
Credit terms	30 days	30 days
	1% cash discount for payment within 20 days	1% cash discount for payment within 25 days
Delivery fees	\$20 for every 100 pairs	\$45 for every 100 pairs
Refund policy	Refunds made within 2 days of return.	Refunds made within 1 week of return.
Replacement policy	Replacement sports shoes will be delivered within 3 days.	Replacement sports shoes will be shipped within 10 days.
Additional incentive	None	Samples of new types of sports shoes provided monthly

REQUIRED

- (c) Advise Eric which supplier he should choose. Justify your decision with **two** reasons. [5]

[Total: 14]

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