BUKIT PANJANG GOVERNMENT HIGH SCHOOL
PRELIMINARY EXAMINATION 2025
SECONDARY 5
GCE 'O' LEVEL SYLLABUS

PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

21 August, 2025
2 hours
0750 h – 0950 h

Candidates answer on the Question Paper

Additional materials: Insert

READ THESE INSTRUCTIONS FIRST

Do not turn over the cover page until you are told to do so.
Write in dark blue or black pen on both sides of the paper.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper chips, glue or correction fluid.

FOR EXAMINER'S USE	
Question 1	/ 20
Question 2	/ 15
Question 3	/ 11
Question 4	/ 14
Total:	/ 60

This paper consists of 13 printed pages and 1 blank page

[Turn over

1 **Refer to the Insert for data for Question 1.**

REQUIRED

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

CrawFit Ltd
Statement of financial performance for the year ended 30 September 2024

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

CrawFit Ltd
Statement of financial position as at 30 September 2024

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[Total: 20]

2 Ning runs a trading business that buys and sells computer accessories.

REQUIRED

(a) State **one** way in which businesses manage inventory.

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(b) State **two** sources of **non**-accounting information Ning might use when deciding which inventory to buy.

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Ning's business uses First-In-First-Out (FIFO) method to record its inventory.

On 1 May 2024, business had 750 units of computer accessories valued at $14 500.

During the year ended 30 April 2025, the following purchases took place.

2024	
Jun 1	500 units at $12 000
Dec 20	750 units at $18 000
2025	
Mar 5	750 units at $16 300

Ning's business sold 2 000 units of computer accessories for $65 000.

REQUIRED

(c) Explain First-In-First-Out (FIFO) method.

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(d) Calculate the cost of sales for the year ended 30 April 2025.

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(e) Calculate the gross profit for the year ended 30 April 2025.

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On 30 April 2025, Ning discovered that some of the computer accessories had defects and the net realisable value of the ending inventory was $15 200.

REQUIRED

(f) State how Ning's business should value its inventory.

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(g) Analyse the effect of **not** adjusting the inventory on 30 April 2025 on the gross profit for the year ended 30 April 2025.

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Ning also provided the following information about the business' inventory turnover rate for the three years ended 30 April 2023, 2024 and 2025.

30 April 2023	30 April 2024	30 April 2025
12.5 times	10.3 times	8.4 times

REQUIRED

(h) Comment on the trend in inventory turnover rate for Ning's business over the three years ended 30 April 2023, 2024 and 2025. Suggest **one** possible reason for the change.

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(i) Suggest **two** ways in which Ning could improve the business efficiency in managing inventory.

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[Total: 15]

3 Penny runs an advertising agency. Her business has a financial year end of 31 July. The following information for the advertising fee revenue has been extracted.

	1 August 2023 $
Advertising fee revenue received in advance	4 300

During the year, Penny received cheques amounting to $17 000 as advertising fee revenue.

Annual advertising fee revenue amounted to $22 000.

REQUIRED

(a) Prepare journal entry to adjust advertising fee revenue on 31 July 2024. Narration is required.

Particulars	Dr ($)	Cr ($)

[3]

(b) Explain the effect on profit for the year ended 31 July 2024 after the adjustment entry was made on 31 July 2024.

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(c) Name and explain the accounting theory behind the accounting of advertising fee revenue.

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During the year ended 31 July 2024, Penny paid $8 700 for business rental by cheque. This amount includes $800 of rental for the month of August 2024.

REQUIRED

(d) Calculate the amount of rental expense to be transferred to the income summary on 31 July 2024.

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Whilst preparing the financial statements for the year ended 31 July 2024, Penny discovered the following errors.

1 Receipt for rental income, $500, by cash had been debited to rental income and credited to cash in hand.

2 Installation of equipment, $1 100, was debited to equipment expense account.

The profit for the year ended 31 July 2024 **before** correcting these errors was $32 300.

REQUIRED

(e) Prepare the statement of adjusted profit after correction of errors for the year ended 31 July 2024.

Penny's business
Statement of adjusted profit for the year ended 31 July 2024

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[Total: 11]

4 Lionel runs a shop that sells stationery. The business has provided the following trade receivables account for the year ended 31 August 2024.

Trade receivables

Date	Particulars	Dr ($)	Cr ($)	Bal ($)
2023				
Sept 1	Bal b/d			154 000 Dr
Nov 5	Sales revenue	143 000		297 000 Dr
Dec 13	Cash at bank		145 000	152 000 Dr
	Discount allowed		1 200	150 800 Dr
Dec 15	Cash at bank	2 500		153 300 Dr
	Discount allowed	100		153 400 Dr
2024				
Mar 10	Sales returns		9 500	143 900 Dr
Jun 3	Allowance for impairment of trade receivables		7 000	136 900 Dr
Sept 1	Bal b/d			136 900 Dr

REQUIRED

(a) Interpret the entries in the trade receivables account on:

(i) 15 December 2023

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(ii) 10 March 2024

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(iii) 3 June 2024

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(b) Explain why a business accounts for an allowance for impairment of trade receivables with reference to an appropriate accounting theory.

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(c) Define trade receivables.

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Two customers of Lionel, NovaTech and EcoLine, have each requested an extension of their payment terms from 30 days to 60 days. Due to cash flow constraints, Lionel can only grant the extension to one customer.

	NovaTech	EcoLine
Average trade receivables balance	$2 200	$950
Repayment history over the past year	Collection period: 45 days Repaid late 1 time	Collection period: 65 days Repaid late 4 times
Reputation of business	• 6 years in business. • Products consistently go viral on TikTok for its trendy designs	• 10 years in business. • Popular among the masses for its budget-friendly stationery
Economic outlook	Local customer	Overseas customer

REQUIRED

(d) Advise Lionel which customer should receive the increase in credit period. Justify your decision with **three** reasons.

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[Total: 14]

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Data for Question 1

The following information was extracted from the books of CrawFit Ltd at the end of the financial year on 30 September 2024.

	$
Service fee revenue	52 100
Commission income	21 600
Discount received	500
Discount allowed	800
Rental expenses	38 400
Insurance	5 800
Utilities	10 800
Wages	38 000
Interest expense	400
Trade receivables	16 300
Allowance for impairment of trade receivables	489
Trade payables	13 005
Cash at bank	2 300 Cr
Motor vehicles	80 000
Office equipment	60 000
Property	120 000
Accumulated depreciation	
Motor vehicles	8 000
Office equipment	24 000
5% Mortgage loan	100 000
Share capital, 80 000 ordinary shares	96 000
Retained earnings 1 October 2023	52 506

Additional information on 30 September 2024

1 Commission income, $400, had not been received, and wages, $500, was owing.

2 Rental expense relates to a sixteen-month period ending on 31 January 2025.

3 Motor vehicles are to be depreciated at 20% per annum on net book value.

4 Office equipment is to be depreciated at 10% on cost.

5 Property was purchased on 1 April 2024. The expected life of the property is 20 years.

6 A credit customer who owed $1 200 was declared bankrupt and this amount has yet to be written off.

7 The allowance for impairment of trade receivables is to be maintained at 7% of trade receivables.

8 The mortgage loan was obtained on 1 January 2024. Interest on the bank loan was not fully paid.

9 A repayment of $10 000 on the 5% mortgage loan is to be made on 1 October 2025.

10 A dividend of $0.08 per share was declared on 13 September 2024. The dividend would be paid on 15 October 2024.

11 A gain on sale of a non-current asset, $2 400, had been recorded in the service fee revenue account.