...ta for Question 1

1 The following balances were taken from the books of Always Right Toys Pte Ltd on 31 July 2025.

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Share capital, 150 000 ordinary shares	150 000
Retained earnings, 1 August 2024	81 840
5% Bank loan, repayable on 31 August 2028	50 000
Property at cost	180 000
Motor vehicles at cost	90 800
Accumulated depreciation:	
Property	10 800
Motor vehicles	18 160
Inventory	125 000
Sales revenue	525 000
Cost of sales	245 000
Sales returns	18 700
Discount allowed	3 000
Discount received	5 000
Rent income	17 500
Salaries expense	56 000
Insurance	6 200
Advertising expense	14 600
Interest expense	1 500
Trade receivables	55 000
Allowance for impairment of trade receivables	2 700
Trade payables	22 300
Cash at bank	79 500
Cash in hand	8 000

Additional information:

1 Property is depreciated at 5% per annum using the straight-line method. The motor vehicles are to be depreciated at 20% per annum, using the reducing-balance method.

2 The net realisable value of the inventory is $106 250.

3 Rent income is earned at $2 000 per month.

4 Salaries, $5 000, were owed and advertising, $2 200, was prepaid on 31 July 2025.

5 Interest on the bank loan for the year had not been fully paid.

6 Following a review of the trade receivables 7% of the trade receivables are estimated to be uncollectible.

7 10% of the bank loan is repayable on 31 December 2025.

8 A dividend of $0.05 per share was declared on 1 July 2025 but had not been paid out.

Answer all questions.

1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the business for the year ended 31 July 2025. [10]

Always Right Toys Pte Ltd

Statement of financial performance for the year ended 31 July 2025

(b) Prepare the statement of financial position as at 31 July 2025. [10]

Always Right Toys Pte Ltd

Statement of Financial Position as at 31 July 2025

[Total: 20

2 Josiah is considering investing in a business in the electronics industry. The following information on two businesses, Edison Electronics and Tesla Enterprise, for the financial year ended 30 June 2025 was provided.

	Edison Electronics $	Tesla Enterprise $
Sales revenue	920 000	865 000
Less: Sales returns	1 950	2 200
Net sales revenue	918 050	862 800
Cost of sales	605 000	583 430
Gross profit	313 050	279 370
Total operating expenses	130 000	85 343
Profit for the year	183 050	194 027
Equity, 1 July 2024	603 590	750 850
Equity, 30 June 2025	648 630	723 970

REQUIRED

(a) Calculate the following profitability ratios for Edison Electronics and Tesla Electronics for the year ended 30 June 2025. Show your answers to two decimal places.

(i) Mark-up on cost [2]

CamScanner

(ii) Gross profit margin [2]

(iii) Profit margin [2]

(iv) Return on equity

[2]

(b) Using the ratios calculated in (a), comment on the profitability of the two businesses. [3]

(c) Which business should Josiah invest in? Justify your answer. [2]

[Total: 13]

3 Sally operates a delivery business. She rents part of her office to a gift shop. She has the following information regarding her rent income for the year ended 31 March 2025.

	1 April 2024	31 March 2025
	$	$
Rent income received in advance	800	1 600

During the year, the business received $8 600 for rent income by cheque.

REQUIRED

(a) Explain the Accrual basis of accounting. [1]

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(b) Prepare the journal entries to account for rent income for the year ended 31 March 2025, including the closing entry. Narrations are not required. [4]

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After the preparation of her draft accounts, Sally discovered the following errors for the year ended 31 March 2025.

1. Sales returns to Y Trading costing $600 was recorded as $6 000.
2. $2 850 cheque paid to credit supplier Lewis Enterprise was wrongly recorded in Farzin Enterprise account.
3. Payment by cheque for repairs worth $2 300 was wrongly debited to the cash at bank account and credited to the repairs expense account.
4. Delivery income of $900 was received in advance. This was omitted from the books.

The unadjusted profit for the year ending 31 March 2025 was $13 400.

REQUIRED

(c) Show the journal entries to correct errors 1 to 4. Narrations are not required. [4]

(d) Prepare a statement to show the adjusted profit for the year ended 31 March 2025. [3]

[Total: 12]

4 Evergreen Enterprise, a trader in household supplies and appliances, sells goods on credit. Evergreen Enterprise provides Harry Trading with a trade discount of 10% on all purchases. The following transactions took place in the ledger of Evergreen Enterprise during the month of May 2025.

2025	
May 1	Balance owed by Harry Trading $900.
May 7	Sold goods to Harry Trading at a list price of $6 500.
May 13	Received a cheque from Harry Trading for amount due on 1 May, less 6% cash discount.
May 18	Harry Trading returned some of the goods bought on May 7, at a list price of $1 200.
May 20	Harry Trading's cheque received on May 13 was dishonoured by the bank.
May 29	Harry, the owner, confirmed that he was closing his business and could only pay Evergreen Supplies 20 cents for every dollar of its outstanding debt. On the same day, a cheque was received from Harry Trading. The balance due was written off.

REQUIRED

(a) Give **one** reason for the business to sell goods on credit. [1]

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(b) Prepare Harry Trading's account in Evergreen Enterprise's books for the month of May 2025. [4]

Harry Trading Account

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Evergreen Supplies analysed the data on its trade receivables and calculated the trade receivables collection period for the two years ended 31 May 2024 and 2025.

	For the year ended	
	31 May 2024	31 May 2025
Trade receivables collection period	56 days	91 days
Net credit sales revenue	$550 000	$300 000

REQUIRED

(c) Comment on the change in the trade receivables collection period. [2]

(d) Suggest **one** way for Evergreen Supplies to improve the management of its trade receivables. [1]

Two existing customers of Evergreen Supplies have approached the business to negotiate for a longer repayment period, from 30 days to 45 days. As the economy is not doing well, Evergreen Supplies intends to extend a longer repayment period to only one customer.

The details of both customers are shown below.

	Sunflower Supermarket	**Adam and Sandler Housecraft**
Nature of Business	• Offers a variety of household products such as electrical appliances and household gadgets and necessities. • Has physical shops located in convenient heartland malls.	• Sells a wide range of household products, including state-of-the-art household gadgets and appliances. • Has one physical shop located in the downtown area as well as an online shop.
Average Trade Receivables Balance	$35 000	$20 000
Repayment History over the Past Year	• Collection days: 30 • Repaid late 2 times	• Collection days: 35 • Repaid late 1 time
Reputation of Business	• A well-established supermarket chain with steady order volumes. • Known to be well stocked and provides delivery service for higher value orders. • Has been in business for 15 years	• A smaller independent retailer with less predictable but increasing orders. • Has a growing online presence. • Is able to source for interesting and state-of-the-art household gadgets and appliances locally and internationally that appeal to modern families. • Has been in business for 2 years

REQUIRED

(e) Advise Evergreen Supplies which customer they should grant longer repayment period to. Explain your answer with **three** reasons. [7]

[Total: 15]

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