POA TYS Theory questions [7087 syllabus]

Note: the 7078 syllabus starts from 2021 onwards.

⊹ ☐ ✰ ***Note by the creator!***

- this document may not cover *all* potentially tested questions, rmb that this is an updated syllabus!! study ur notes!!
- unfortunately, poa theory qns demand word-for-word definitions (i dread it, but oh well study hard i guess TT)
- no, this is not taken from the TYS answer booklet, but is made with reference to the POA textbook + TYS answer booklet here and there (but mostly textbook info) so dont worry if it doesnt seem to match up with ur answer booklets!!
- know how to identify ur topics! This doc isnt sorted by chapters as some questions interlink more than one chapter, but its beneficial to be able to identify which specific chapter a certain qn comes up in!

2024 Paper 1

1. State two features of a **sole proprietorship**
   [CHAP1: intro to accounting]
   - Sole-owner has full control over all business operations
   - Minimal administrative duties to adhere to
2. Suggest one way a business might improve its **quick ratio**
   [CHAP16: financial statement analysis]]
   - Increasing sources of cash (i.e. additional capital to business)
3. State one difference between the financial statements of a **trading** business and **service** business
   [CHAP5: trial balance and financial statement]
   - Financial statements of trading businesses include **sales and cost of sales** which are not found in that of a service business

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2024 Paper 2

1. Define **dividends**
   [CHAP14: equities]
   - The portion of retained earnings that are distributed to the shareholders.
2. Two features of a **limited liability partnership**
   [CHAP1: intro to accounting]
   - Owned by two or more partners that contribute capital to the LLC
   - Has few regulatory duties to comply with
3. Distinguish between **profit margin** and **profit for the year**
   [CHAP16: financial statement analysis]
   - **Profit margin:** deducting cost of sales from sales revenue
   - **Profit for the year:** deducting other expenses from gross profit and adding other income
4. Give two examples of **costs**, other than **purchase price**, which a business might include in the cost of inventory purchased
   [CHAP9: inventories]
   - Import tax for purchase of inventory
   - Insurance for import of inventory
5. Suggest a way a business could improve the **gross profit margin** of the business. [CHAP16: financial statement analysis]
   - Increase sales revenue by selling goods at a higher price.
6. Suggest **two** further ways a business could improve the **profit for the year** of the business. [CHAP5: trial balance and financial statements]
   - Increase other income (e.g. rental income, commission income, etc.)
   - Reduce operating expenses by negotiating a lower rental rate

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2023 Paper 1

1. Explain one reason why businesses keep **inventories**
   [CHAP9: inventories]
   - To keep customers' needs met and prevent a loss in sales
2. State two ways in which business manages inventory
   [CHAP9: inventories]
   - Proper records of inventory to keep track of available goods
   - Proper storage to keep and maintain inventory
3. Define trade discount
   [CHAP4: double-entry recording]
   - A reduction to the list price

4. State two reasons why a business might offer a trade discount to customers
   [CHAP4: double-entry recording]
   - To encourage bulk orders
   - To reward regular customers
5. State two differences between a bank loan and bank overdraft
   [CHAP13: long-term borrowings]
   - A **bank loan** is a fixed amount of money borrowed from a bank
   - **Bank overdraft** is a negative balance as a business withdraws more money than what is deposited into their account
   - **Bank loans** are repaid in regular cash payments in equal period over the loan period to reduce the principal sum
   - **Bank overdrafts** are reduced by depositing cash into the bank account within the year
6. Explain the accounting entity theory
7. [CHAP1: intro to accounting]
   - Businesses and owners are distinct and separate entities. Transactions are recorded from the POV of the business
8. Define the professional ethics of **integrity** and **objectivity**
   [CHAP1: intro to accounting]
   - Integrity: Remain straightforward and honest in all professional relationships
   - Objectivity: Not let personal bias, conflict of interest, or undue influence of others override his/her professional judgement

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2023 Paper 2

1. Explain why a business accounts for an impairment loss on trade receivables with reference to an appropriate accounting theory
   [CHAP10: trade receivables]
   - According to **prudence theory**, assets should not be overstated. Hence, a business should account for an impairment loss on trade receivables to reflect the lower value of debt owed
2. Explain **two ways** a business could improve its efficiency in managing trade receivables
   [CHAP16: financial statement analysis]
   - Grant credit only to customers that make regular payments *(the customer's reliability)*
   - Offer cash discounts to encourage prompt payment

3. State two roles of an accountant
   [CHAP1: intro to accounting]
   - To act as stewards and manage resources and accounting information on behalf of the business
   - To set up Accounting Information Systems (AIS) for stakeholders to make informed decisions
4. Define the following accounting theories: ACCOUNTING PERIOD, HISTORICAL COST [CHAP1: intro to accounting]
   - ***Accounting period:*** Financial statements are prepared for fixed accounting periods to allow meaningful consolidation and analysis in each period
   - ***Historical cost:*** All transactions are to be recorded at its original cost on date of transaction.

2022 Paper 1

1. State the four stages in the accounting cycle
   [CHAP2: accounting information system]
   - Identify and record, Adjustment, Report, Close
2. Name and explain the accounting theory which must be applied when accounting for the **sale of goods** or **provision of services**
   [CHAP1: intro to accounting]
   - Revenue recognition theory. All revenue is recorded once delivery of goods is made or services are provided.
3. State how working capital is calculated
   [CHAP16: financial statement analysis]
   - Working capital = Current Assets - Current Liabilities
4. Distinguish between the current ratio and quick ratio
   [CHAP16: financial statement analysis]
   - ***Current ratio:*** Ability to pay short-term debts using current assets
     (Current Assets / Current Liabilities)
   - ***Quick ratio (aka. Acid test):*** Ability to pay short-term debts using quick assets, which can be converted to cash more easily
     (Current Assets - Inventory - Prepayment / Current Liabilities

5. Define depreciation
   [CHAP11: non-current assets]
   - Depreciation is the allocation of cost of a non-current asset over its estimated useful life
6. State TWO accounting theories which are applied by a business when charging depreciation expense
   [CHAP11: non-current assets]
   - **Consistency theory**. A business should use the same method and same rate of depreciation every financial period to enable meaningful comparison.
   - **Matching Theory**. Depreciation expense incurred must be matched against income earned in the same financial period to determine profit for the period.

2022 Paper 2

1. Identify two examples of non-accounting information which may be used by a business in order to choose **a new possible supplier.**
   [CHAP1: intro to accounting]
   - A supplier's return policies
   - Warranties
2. Name and explain the accounting theory applied by a business when **accounting for a reduction in value of inventory**
   [CHAP1: intro to accounting]
   - Prudence theory. A business should not overstate its assets by recording inventory by the lower of cost/net realisable value.
3. Suggest two ways a business could improve the business's **efficiency in managing inventory**. Give one specific example
   [CHAP16: financial statement analysis]
   - Offer better discount to increase the sales of slower moving inventory
   - Selling goods on online platforms
4. **Dr Motor vehicles 12000 Cr Capital 12000**
   name and explain the accounting theory applied
   [CHAP1: intro to accounting]
   - Accounting entity theory. A business and its owner are considered distinct and separate entities. Assets contributed by the owner should be recorded as the owner's contribution *(Capital)*.

5. Name the accounting theory applied by a business when recording the occurrence of a transaction at the amount originally paid.
   [CHAP1: intro to accounting]
   - Historical cost. All transactions must be recorded at its original cost on the date of purchase

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2021 Paper 1

1. State one difference between a **bank loan** and a **bank overdraft**
   [CHAP13: long-term borrowings]
   - A **bank loan** is a fixed amount of money borrowed from a bank
   - **Bank overdraft** refers to a negative balance as a business withdraws more money than what is deposited
2. Name and explain the accounting theory applied by a business when accounting for interest expense **incurred** but not yet paid
   [CHAP1: intro to accounting]
   - Revenue recognition. Revenue is earned when goods are delivered or when services have been provided.
3. Define the following terms: **Assets, Liability, Income, Expense**
   [CHAP3: elements of financial statements]
   - **Assets:** resources owned by a business with future benefits
   - **Liability:** obligation owed by a business to others that are expected to be settled in the future
   - **Income:** amounts earned through the activities of a business
   - **Expense:** costs incurred in the operation of a business to earn income
4. Explain consistency theory
   [CHAP1: intro to accounting]
   - Once an accounting method is chosen, it should be followed in all future financial periods to enable meaningful comparison.
5. Explain the accounting entity theory
   [CHAP1: intro to accounting]
   - A business and its owner is considered a distinct and separate entity. All transactions must be recorded from the POV of the business
6. Suggest **two** ways a business could improve the **trade receivable collection** period of the business
   [CHAP4: double-entry recording]
   - Offer cash discounts to encourage prompt payment
   - Charge interests on overdue amounts to discourage delayed payments

7. State two **non-accounting information** that a business might use when deciding whether to grant credit to a customer
   [CHAP1: intro to accounting]
   - A customer's reputation.
   - Economic outlook of a customer.
8. Name the accounting theory which is applied when a business makes an allowance for impairment of trade receivables
   [CHAP1 : intro to accounting]
   - Prudence theory

2021 Paper 2

1. State one reason why a business might offer **trade discounts** to its customers
   [CHAP4: double-entry recording]
   - To encourage bulk purchases
2. State one reason why a business might offer **cash discounts** to its customers
   [CHAP4: double-entry recording]
   - To encourage prompt payment
3. State two roles of accountants
   [CHAP1: intro to accounting]
   - Stewards managing resources and accounting information on behalf of a business
   - To set up Accounting Information Systems (AIS) for stakeholders to make informed decisions
4. Explain the importance to a business of its **profitability**
   [CHAP16: financial statement analysis]
   - A business needs to be profitable in order to continue business operations and distribute profits to its owners.
5. Explain what is meant by: **Capital expenditure, Revenue expenditure**
   [CHAP11: non-current assets]
   - **Capital expenditure:** costs to buy and bring in non-current assets to their intended use, recorded as a non-current asset.
   - **Revenue expenditure:** costs to operate, repair and maintain the non-current assets in working condition, recorded as an expense

⊹ ★ ***Note by the creator!***

- you've made it to the end of my document yipee!!!!!
- notice how certain concepts or even entire questions are regurgitated? make poa theory qns giveaway marks by studying ur theory well!

ways i study theory:

- flashcards
- blurting *(write all the content u rmb, and follow up by adding wtv u missed out in a different colour!)*
- make ur own qns!
- tys, workbook, or even copy and paste qns from this document to do in ur own time!

- however, dont neglect ur application qns! most are worth up to 10 marks, sometimes even 13…(depending on the qn ofc)

- **some advice my poa tutor gave me:** dont fixate on scoring full marks for specific qn types, instead, try to get as many marks as u can across all qns. correct entries, values, formats, etc are all worth marks!
- dw so much abt balancing, its simply a single mark out of ten
- actively practice on poa always makes the biggest difference