Name		Index Number		Class	

ST. ANTHONY'S CANOSSIAN SECONDARY SCHOOL
Preliminary Examination 2025
Secondary 4E5NA

PRINCIPLES OF ACCOUNTS **7087/02**
Paper 2
INSERT 2 October 2025

Setter: Miss Daisy Tan 2 hours

READ THESE INSTRUCTIONS FIRST

This insert contains the data for Question 1.

This document consists of **3** printed pages and **1** blank page

[Turn over

Data for Question 1

1 Charlotte Legal Services is a business that provides legal advice to its clients. The following balances were extracted from its books on 31 May 2025.

	$	
Fixtures and fittings at cost	84 000	
Office equipment at cost	100 000	
Accumulated depreciation		
Fixtures and fittings	16 000	
Office equipment	36 000	
Capital as at 1 June 2024	90 000	
Drawings	6 800	
Trade receivables	37 700	
Trade payables	13 000	
Allowance for impairment of trade receivables	3 900	
Legal fee revenue	98 000	
Commission income	10 500	
Wages and salaries	31 100	
5% Bank loan, repayable in 2029	40 000	
Cash at bank	2 800	Cr
Rent expenses	35 000	
Advertising expenses	15 600	

Additional information :

1 At 31 May 2025 Advertising, $2390, was owing.

2 Rent expense was paid for 14 months ending 31 July 2025.

3 Commission income earned during the year ending 31 May 2025 amounted to $18 500.

4 Fixtures and fittings with a scrap value of $4000 are to be depreciated at a rate of 10% per annum.

5 Equipment is to be depreciated at 20% per annum using the reducing balance method.

6 Business decided to write off $700 owed by a trade receivable.

7 The allowance for impairment of trade receivables is to be maintained at 6% of trade receivables.

8 The loan was obtained on 1 June 2024. The interest on loan was not paid.

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 31 May 2025.

Charlotte Legal Services
Statement of Financial Performance for the year ended 31 May 2025

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(b) Prepare the statement of financial position as at 31 May 2025.

Charlotte Legal Services
Statement of Financial Position as at 31 May 2025

[12]

[Total: 20]

2 Miiko Traders runs a business that buys and sells only on credit. The financial year ends on 30 June.

On 1 July 2023, the balance of the allowance for impairment of trade receivables account was $3000.

The following information relates to trade receivables for the years ended 30 June 2024 and 30 June 2025.

	30 June 2024	30 June 2025
	$	$
Trade receivables	32 600	35 100

Additional information:

1 Soup Spoons which owed $3600 went bankrupt. Soup Spoons was able to pay $0.40 for every $1 owed by cheque on 9 August 2024. Miiko Traders decided to write off the remaining amount as irrecoverable on that day.

2 Miiko Traders estimates that 7% of the trade receivables at the end of each financial year are likely to be uncollectible.

REQUIRED

(a) Prepare journal entries to record the transactions on 9 August 2024.

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(b) Using a suitable accounting theory, explain why it is necessary for a business to adjust for debts that are likely to be uncollectible.

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(c) Prepare journal entries to adjust the balances of allowance for impairment of trade receivables for the years ended 30 June 2024 and 30 June 2025. Narrations are **not** required.

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(d) Prepare an extract of the statement of financial performance for the year ended 30 June 2025, showing the expense section only..

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[Total: 11]

3. The following are assets and liabilities of Adiel Enterprise on 31 October 2024.

	$
Cash in hand	700
Bank overdraft	7 100
Long-term loan from Scarlett Manpower	2 000
Inventory	10 000
Motor vehicles	24 800
Other receivables	2 300
Trade receivables	11 200
Trade payables	10 900
Prepaid expenses	500

REQUIRED

(a) Calculate the Current ratio at 31 October 2024, expressing your answer to 2 decimal places.

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(b) Calculate the Quick ratio at 31October 2024, expressing your answer to 2 decimal places.

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Adiel Enterprise's quick ratio on 31 October 2023 was 1.32.

REQUIRED

(c) Comment on the change in the quick ratio between 31 October 2023 and 2024. Give **two** possible reasons for the change.

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The following information pertains to Adiel's business practices:

1. Goods are sold on credit only.
2. Credit suppliers grant a 7-day credit period.
3. To avoid a stock out situation, business estimates and orders goods in advance.
4. Adiel plans to ask for an increase in bank overdraft.

REQUIRED

(d) Adiel seeks your advice what she can do to improve her liquidity. Give a reason for each of your **two** suggestions.

1. Suggestion ....

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Reason ....

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2. Suggestion ....

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Reason ....

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[4] **[Total: 10]**

4. Ashley operates a trading business selling Mayer ovens. Her financial year ends on 31 December. The following information was extracted from her books:

	$
Inventory on 1 January 2024	34 500
Inventory on 31 December 2024	42 820
Net sales revenue	600 000
Mark up on cost	20%

REQUIRED

(a) Calculate the cost of sales for the year ended 31 December 2024

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(b) Calculate the following ratios for the year ended 31 December 2024. All workings are to be clearly shown. Correct your answers to **two** decimal places.

(i) Rate of inventory turnover

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(ii) Days sales in inventory

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Ashley's competitor is Reanne. The following accounting ratios have been presented by Reanne for the year ended 31 December 2024:

Rate of inventory turnover	14 times
Days sales in inventory	21.51 days

(c) Compare and comment on the rate of inventory turnover and days sales in inventory for Ashley's business as compared to Reanne's business for the year ended 31 December 2024.

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(d) Explain **one** way in which the less effective business can improve its rate of inventory turnover.

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Ashley is starting a second business selling blenders. She is considering two options.

Brand	Panasonic	Ninja
Cost per blender	$50	$57
Nature of product	• Delivery charge of 10% on cost • Hand-held blender • 2 years warranty • Product has been in the market for 10 years. • Manufactured in Malaysia	• Free delivery • Wireless • 1 year warranty • Product is new in the market, launched just 1 year ago. • Light • Easy to clean blender • Manufactured in Singapore
Customer preference	• Good reviews from local customers especially by those who have been using it for a long time.	

REQUIRED

(e) Which type of blender would you recommend Ashley to buy to start her second business? Justify your decision with **three** reasons.

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