PENCILTUTOR SCHOOL (PTE) LTD. Co. Reg. No. 200601708E Blk 102, #02-135 Yishun Avenue 5 Singapore 760102



# Suggested Answers to 2018 O level Principles of Accounts (POA) 7175/ Paper 2

uestion umber	Name	2018 Paper 2		Index No					
0.4	Subject			_ Class		Date			
Q1a			Somule Pte	e Limited	nited				
		Income State	ement for the y		d 30 June 20	18			
							\$	\$	
	Sales revenue						379150	228	
	Less sales retu	rns					24550		
	Net sales reven	iue						354600	
	Less Cost of sa	les						149900	
	Gross profit							204700	
	Less Expenses								
	Interest on ban	k loan (35000 x	(10%)				3500		
	Rent (31000 -	6000)					25000		
	Wages and sala	aries (86950 + 1	1350)				88300		
	General expens	ses					27800		
	Depreciation or	equipment (27	(5000 × 10%)				27500		
	Depreciation or	Motor Vehicles	((48000 - 210	000) x 25%	6)		6750		
	Reversal of imp	airment loss on	trade receivat	oles (850-	550)		(200)		
								178650	
	Profit for the ye	ear						26050	-

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Singapore 760102



Question Number 2018 Paper			_			Do r write thi
Q1b					I	mar
	Somule Pte Lim	nited				
	Balance Sheet as at 30	) June 2018				
Assets		\$	\$	\$	\$	
Non-current assets		Cost	Acc. Depn	NBV		
Equipment		275000	82500	192500		
Motor vehicles		48000	27750	20250		
Total non-current assets		323000	110250		212750	
Current assets						
Inventory				32300		
Trade receivables			30700			
Less allowance for impairment of	trade receivables		650			
				30050		
Prepaid rent				6000		
Total current assets					68350	
Total assets					281100	
Equity and Liabilities						
Shareholders' equity						
Issued share capital, 300,000 ord	niary shares			150000		
Retained earnings (40625 - 15000	) + 21400)			51675		
Total equity					201675	
Non-current liabilities						
Long-term borrowings (35000 - 5	000)			30000		
Total non-current liabilities					30000	
Current liabilities						
Trade payables				20900		
Short-term borrowings				6300		
Accrued wages and salaries				1350		
Current portion of long-term borro	owings			5000		
Accrued interest on bank loan (35	00 - 2625)			875		
Dividends payable (300,000 $\times$ \$0.	05)			15000		
Total current liabilities	A-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1				49425	
Total equity and liabilities					281100	

# PENCILTUTOR SCHOOL (PTE) LTD. Co. Reg. No. 200601708E



Question	Name	2018 Paper 2		Index No				
Number Q2	Subject		Cla	ass	Date		write in this margin	
a)	Dr Sale of non	-current asset						
<u> </u>	Cr Motor ve	hicles						
	Dr Accumulate	d depreciation						
<u> </u>	Cr Sale of n	on-current asset						
	Dr Other recei	vable						
	Cr Sale of n	on-current assets						
(w1)	Sale of motor ve	ehicle Depreciati	ion Acci	umulated deprecia	ation	Net Book Value		
	31 Mar 2016	28000 x 2	0%	\$5600		28000 - 5600		
		= \$5600				= \$22400		
	31 Mar 2017	22400 x 2	0%	5600 + 4480		28000 - 10080		
		= \$4480		= \$10080		= \$17920		
b)		Accumulated Dep	reciation of Mot	or Vehicles Accou	int			
Date	Particulars			Debit	Credit	Balance		
2016				\$	\$	\$		
Apr 1	Balance b/d					25600 Cr		
2017	Discount receive	ed						
Mar 31	Depreciation (12	28000 - 25600) x 2	0%		20480	46080 Cr		
Apr 1	Balance b/d					46080 Cr		
Nov 30	Sale of non-curr	rent asset (w1)		10080		36000 Cr		
2017								
Mar 31	Depreciation (13	32500 - 36000) x 2	0%		19300	55300 Cr		
Apr 1	Balance b/d					55300 Cr		
c)	Loss on sale of	motor vehicle = 179	920 - 14500					
		= \$3	3420					
d)	Business charge	es depreciation due	to normal wear	and tear and obs	olescence			
-								

#### PENCILTUTOR SCHOOL (PTE) LTD. Co. Reg. No. 200601708E Blk 102, #02-135



Question Number	2	018 Pap	er 2				-			Do not write in this		
Q3										margir		
ai)	Return on equity	measu	res the eff	iciency o	f the busir	ess in generat	ing profit fi	rom equit	y.			
b)			2017				2018					
	Average equity		(196150	+ 36855	0) / 2		(368550 -	F 563850	) / 2			
			= 282350	)			= 466200					
	Return on equity	•	87400 / 2	282350 x	100%		125300 /	466200 x	100%			
			= 30.95%	6			= 26.88%	i				
	Other working		2017				2018					
	Dividends paid		96150 +	87400 -	168550		168550 +	125300 -	- 263850			
			= \$15000				= \$30000					
w1)	Percentage of div		15000 / 282350 × 100%				30000 / 466200 × 100%					
		,	= 5.31%				= 6.44%					
w2)	Percentage of div		15000 / 76400 x 100%				30000 / 125300 x 100%					
	year		= 19.63%				= 23.94%	)				
c)	The return on equity decreased from 30.95% in 2017 to 26.88% in 2018. This shows that in											
.,	2018, Daxoq is not as efficient in using its equity to generate profit as 2017.											
	However, comparing the precentage of dividend payout to average equity calculated in (w1)											
	above, it has increased from 5.31% in 2017 to 6.44% in 2018. Similiarly, the percentage of											
3	dividends paid to	profit 1	for the yea	r calcula	ted in (w2	) also increase	d from 19.	63% in 20	17 to			
	23.94% in 2018.	. These	show that	Daxoq is	paying o	ut more divider	nd to share	holders pe	er			
	dollar of equity and from profit for the year.											
	As business expa	ansion L	sually tak	e some ti	mes to sta	art contributing	to the bus	iness pro	fit,			
	the shareholders	should	be satisfa	ction witl	n the retu	n on their inve	stment.					
d)	The difference in	gross p	profit marg	jin could	be due to							
	1) the use of ma	any diffe	erent trade	e supplier	s by Palzo	that affect his	ability to I	ouy in bul	k and			
	take advanta	ge of tr	ade discou	int								
	2) the use of ma	any diffe	erent trade	e supplier	s by Palzo	will also affec	t his ability	to negoti	ate			
	for a cheaper	price										
	3) the frequent	sales pr	romotions	from Palz	o that lea	d to lower selli	ng price					
e)	Bankers			T								
										+		

# PENCILTUTOR SCHOOL (PTE) LTD. Co. Reg. No. 200601708E



Question	Name	2018 Pap	er 2				Index No.			Do not		
Number	Subject				Class		Date			write in this margin		
Q4										margin		
ai)	Impairmen	t loss on trad	e receivat	oles is the	estimatio	n by the busine	ess that a t	rade recei	ivable			
	may not be	able to pay.										
aii)	Prudence											
74												
aiii)	When the o	customer star	ts to have	frequent	delay in p	payments.						
	When the o	customer's wa	rehouse o	caught fire	and all in	nventory is des	troyed.					
b)		Allowan	ce for Imp	pairment o	of Trade R	eceivables Acco	ount					
Date	Particulars					Debit	Credit	Bala	ince			
2017						\$	\$	\$	\$			
Jun 1	Balance b/o	d							3450 Cr			
2018												
May 31	Trade recei	vables - Cher	ng			3000		450 Cr				
31	Impairmen	t loss on trad	e receivat	oles			3230		3680 Cr			
Jun 1	Balance b/o	d							3680 Cr			
c)				Genera	l Journal							
	Date	Particula	r					Dr	Cr			
	2018							\$	\$			
	July 10	Cash in h	nand					1700				
		Trade	receivab	les - Wesl	еу				1700			
		Being Ca	sh receive	ed from W	esley for	partial paymen	t of debt.					
	July 10	Allowanc	e for impa	airment of	trade rec	eivables		1000				
		Trade	receivab	les - Wesl	еу				1000			
		Being Wr	rite off of	balance o	utstanding	from Wesley						
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# PENCILTUTOR SCHOOL (PTE) LTD. Co. Reg. No. 200601708E



Question Number	2018 Paper 2						_			Do not write in this margin
Q5 a)		Books	of Chee	iun'e huei	nacc	Book	s of Dorot	hy's busines	c	
a)				Accoun		Account to be		Accoun		+
	79 8			cre		debit		credit		+
	Invoice		debit  Dorothy Sa  Cash at bank sales returns / Inventory Co  stransaction that made by on a future date.  Shonoured due to pose  Ge  ticular  sh in hand (1000 x 95)  count allowed (950 x  Trade receivables - E		evenue	Inven	1A	Cheejun		-
	Cheque	1900 SECTION S	Books of Cheej  Account to be debit  Dorothy  Cash at bank  Sales returns / Inventory  on is transaction that at pay on a future dat debit  e dishonoured due to  Particular  Cash in hand (1000)  Discount allowed (9		Dorothy		jun	Cash a	t bank	
	Credit note	ACT LANGUAGE TO THE RESERVE AND ACT		Dorothy / Cost of sales		Chee	jun	Inver	itory	
b)	Cash transact	tion is transac	ction tha	t made im	nmediate p	ayment whe	eas credit	transaction	is	
	transaction th	nat pay on a f	uture da	ite.						
c)	Cheque may	be dishonoure	ed due to	o post-dat	ed cheque	and inconsis	tent signa	ture.		
	,									
d)				General Journal						
	Date	Particular						Dr	Cr	-
	2018							\$	\$	
	July 9	Cash in har	nd (1000	) x 95% x	98%)			931		
		Discount al	lowed (9	950 x 2%)				190		
		Trade re	eceivable	es - Dorot	hy				950	
e)	To encourage	Dorothy to b	uv in hu	ılle						
e)	To encourage	Dorothy to b	idy iii bu	iik.						
-										
										+
										-