

Question Number	Name	2018 Paper 2	Index No.
Q1a	Subject	Class	Date
	Somule Pte Limited		
	Income Statement for the year ended 30 June 2018		
		\$	\$
	Sales revenue	379150	
	Less sales returns	24550	
	Net sales revenue		354600
	Less Cost of sales		149900
	Gross profit		204700
	<u>Less Expenses</u>		
	Interest on bank loan ($35000 \times 10\%$)	3500	
	Rent ($31000 - 6000$)	25000	
	Wages and salaries ($86950 + 1350$)	88300	
	General expenses	27800	
	Depreciation on equipment ($275000 \times 10\%$)	27500	
	Depreciation on Motor Vehicles ($(48000 - 21000) \times 25\%$)	6750	
	Reversal of impairment loss on trade receivables ($850-650$)	(200)	
			178650
	Profit for the year		26050

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Q1b											
	Somule Pte Limited										
	Balance Sheet as at 30 June 2018										
Assets						\$	\$	\$	\$		
<u>Non-current assets</u>						Cost	Acc. Depn	NBV			
Equipment						275000	82500	192500			
Motor vehicles						48000	27750	20250			
Total non-current assets						323000	110250			212750	
<u>Current assets</u>											
Inventory										32300	
Trade receivables								30700			
Less allowance for impairment of trade receivables								650			
										30050	
Prepaid rent										6000	
Total current assets											68350
Total assets											281100
<u>Equity and Liabilities</u>											
<u>Shareholders' equity</u>											
Issued share capital, 300,000 ordinary shares										150000	
Retained earnings (40625 - 15000 + 21400)										51675	
Total equity											201675
<u>Non-current liabilities</u>											
Long-term borrowings (35000 - 5000)										30000	
Total non-current liabilities											30000
<u>Current liabilities</u>											
Trade payables										20900	
Short-term borrowings										6300	
Accrued wages and salaries										1350	
Current portion of long-term borrowings										5000	
Accrued interest on bank loan (3500 - 2625)										875	
Dividends payable (300,000 x \$0.05)										15000	
Total current liabilities											49425
Total equity and liabilities											281100

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Q2						
a)	Dr	Sale of non-current asset				
	Cr	Motor vehicles				
	Dr	Accumulated depreciation				
	Cr	Sale of non-current asset				
	Dr	Other receivable				
	Cr	Sale of non-current assets				
(w1)	<u>Sale of motor vehicle</u>	<u>Depreciation</u>	<u>Accumulated depreciation</u>	<u>Net Book Value</u>		
	31 Mar 2016	28000 x 20%	\$5600	28000 - 5600		
		= \$5600		= \$22400		
	31 Mar 2017	22400 x 20%	5600 + 4480	28000 - 10080		
		= \$4480	= \$10080	= \$17920		
b)	Accumulated Depreciation of Motor Vehicles Account					
	Date	Particulars		Debit	Credit	Balance
	2016			\$	\$	\$
	Apr 1	Balance b/d				25600 Cr
	2017	Discount received				
	Mar 31	Depreciation (128000 - 25600) x 20%			20480	46080 Cr
	Apr 1	Balance b/d				46080 Cr
	Nov 30	Sale of non-current asset (w1)		10080		36000 Cr
	2017					
	Mar 31	Depreciation (132500 - 36000) x 20%			19300	55300 Cr
	Apr 1	Balance b/d				55300 Cr
c)	Loss on sale of motor vehicle = 17920 - 14500					
		= \$3420				
d)	Business charges depreciation due to normal wear and tear and obsolescence.					

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Q3											
a)	Return on equity measures the efficiency of the business in generating profit from equity.										
b)			2017					2018			
	Average equity		$(196150 + 368550) / 2$				$(368550 + 563850) / 2$				
			$= 282350$				$= 466200$				
	Return on equity		$87400 / 282350 \times 100\%$				$125300 / 466200 \times 100\%$				
			$= 30.95\%$				$= 26.88\%$				
	Other working		2017				2018				
	Dividends paid		$96150 + 87400 - 168550$				$168550 + 125300 - 263850$				
			$= \$15000$				$= \$30000$				
w1)	Percentage of dividend paid to average equity		$15000 / 282350 \times 100\%$				$30000 / 466200 \times 100\%$				
			$= 5.31\%$				$= 6.44\%$				
w2)	Percentage of dividend paid to profit for the year		$15000 / 76400 \times 100\%$				$30000 / 125300 \times 100\%$				
			$= 19.63\%$				$= 23.94\%$				
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 percentage of dividend payout to average equity calculated in (w1) above, it has increased from 5.31% in 2017 to 6.44% in 2018. Similarly, the percentage of dividends paid to profit for the year calculated in (w2) also increased from 19.63% in 2017 to 23.94% in 2018. These show that Daxoq is paying out more dividend to shareholders per dollar of equity and from profit for the year.										
	As business expansion usually take some times to start contributing to the business profit, the shareholders should be satisfaction with the return on their investment.										
d)	The difference in gross profit margin could be due to:										
	1) the use of many different trade suppliers by Palzo that affect his ability to buy in bulk and take advantage of trade discount										
	2) the use of many different trade suppliers by Palzo will also affect his ability to negotiate for a cheaper price										
	3) the frequent sales promotions from Palzo that lead to lower selling price										
e)	Bankers										

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Q4						
a i)	Impairment loss on trade receivables is the estimation by the business that a trade receivable may not be able to pay.					
a ii)	Prudence					
a iii)	When the customer starts to have frequent delay in payments.					
	When the customer's warehouse caught fire and all inventory is destroyed.					
b)	Allowance for Impairment of Trade Receivables Account					
Date	Particulars			Debit	Credit	Balance
2017				\$	\$	\$
Jun 1	Balance b/d					3450 Cr
2018						
May 31	Trade receivables - Cheng			3000		450 Cr
	31 Impairment loss on trade receivables				3230	3680 Cr
Jun 1	Balance b/d					3680 Cr
c)	General Journal					
Date	Particular				Dr	Cr
2018					\$	\$
July 10	Cash in hand				1700	
	Trade receivables - Wesley					1700
	Being Cash received from Wesley for partial payment of debt.					
July 10	Allowance for impairment of trade receivables				1000	
	Trade receivables - Wesley					1000
	Being Write off of balance outstanding from Wesley					

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