

FUKIEN SECONDARY SCHOOL
S4 First Term Examination (2020-2021)
Business, Accounting and Financial Studies
(1 hour 30 minutes)

Date: 8th January 2020

Name: _____

Time: 10:30a.m. - 12:00nn

Class: _____ No.: _____

INSTRUCTIONS

1. This paper carries 80 marks.
2. This paper must be answered in English.
3. When told to open this book, you should check that all the questions are there. Look for the words '**END OF PAPER**' after the last question.
4. This paper consists of two sections, A and B.
5. Section A is Multiple-choice Questions. There are **11** questions in this section. Attempt **ALL** questions. You should mark all your answers on the Multiple-choice Answer Sheet. All questions carry equal marks. You should mark only **ONE** answer for each question. If you mark more than one answer, you will receive **NO MARKS** for that question. No marks will be deducted for wrong answers. The whole section carries 22 marks.
6. Section B is Structured Questions. There are **4** questions in this section. Attempt **ALL** questions. All answers in this section should be put in the single-lined paper provided. The whole section carries 58 marks.

Section A Multiple-choice Questions (22 marks)

1. Which of the following equations is correct?
 - A. $\text{Assets} = \text{Capital} + (\text{Revenues} - \text{Expenses}) + \text{Drawings}$
 - B. $\text{Capital} = \text{Net Assets} - \text{Profit} + \text{Drawings}$
 - C. $\text{Drawings} = \text{Assets} - \text{Liabilities} + (\text{Revenues} - \text{Expenses}) + \text{Capital}$
 - D. $\text{Liabilities} = \text{Assets} + \text{Drawings} - \text{Loss} - \text{Capital}$

2. The correct sequence of the accounting cycle is
 - A. journalising transactions, posting to ledger accounts, preparing a trial balance and preparing final accounts.
 - B. journalising transactions, preparing final accounts, posting to ledger accounts and preparing a trial balance.
 - C. preparing a trial balance, journalising transactions, posting to ledger accounts and preparing final accounts.
 - D. preparing a trial balance, preparing final accounts, journalising transactions and posting to ledger accounts.

3. Which of the following accounts are usually recorded in the debit column of a trial balance?
 - (1) Purchases
 - (2) Drawings
 - (3) Commission revenue
 - (4) Bank loans
 - A. (1) and (2) only
 - B. (1) and (4) only
 - C. (2) and (3) only
 - D. (2) and (4) only

4. Which of the following transaction(s) increased the working capital of a business?
 - (1) Received cash from a trade debtor
 - (2) Paid a trade creditor by cheque
 - (3) Sold office equipment for cash
 - A. (2) only
 - B. (3) only
 - C. (1) and (3) only
 - D. (1), (2) and (3)

5. Which of the following is a nominal account?
- A. Capital
 - B. Inventory
 - C. Rental deposit
 - D. Loan interest
6. Name the accounting concepts/principles that we should follow to deal with each of the following events:
- (1) Electricity consumed during the accounting period was unpaid at the year end.
 - (2) The owner of the business contributed his private car to the business.
 - (3) The business has suffered losses over the past few years. It is very uncertain whether the company can continue to operate next year.
- A. (1) historical cost; (2) business entity; (3) going concern
 - B. (1) accrual; (2) going concern; (3) business entity
 - C. (1) going concern; (2) business entity; (3) consistency
 - D. (1) accrual; (2) business entity; (3) going concern
7. Jasmine Ltd wanted to buy a delivery truck which had a list price of \$20 000 and was offered a trade discount of \$2 000. After bargaining, Jasmine Ltd was able to buy it for \$17 000. The amount recorded in the books under the historical cost principle should be
- A. \$20 000.
 - B. \$18 000.
 - C. \$17 000.
 - D. \$15 000.
8. The gross profit ratio will increase if
- A. sales have increased.
 - B. gross profit has increased.
 - C. gross profit has increased while sales have remained unchanged.
 - D. the cost of goods sold has increased while sales have remained unchanged.
9. Given the following figures: Sales \$240 000; Purchases \$120 000; Operating expenses \$45 000; Opening capital \$110 000; Drawings \$22 000. What is the return on capital employed? (Assume there is no opening or closing inventory.)
- A. 46.01%
 - B. 54.95%
 - C. 63.18%
 - D. 75.76%

Base on the following information, answer Questions 10 and 11.

The account balances of Aloe's books for two years are shown below:

	2019	2020
	\$	\$
Motor vehicles	152 670	82 670
Trade receivables	45 850	50 600
Inventory	25 500	31 000
Bank	(26 950)	24 000
Capital	200 370	260 000
Cash	14 250	10 050
Trade payables	36 000	40 040

10. What is the quick ratio of Aloe's business in 2019?

- A. 0.95 : 1
- B. 1.11 : 1
- C. 1.36 : 1
- D. 2.03 : 1

11. Which of the following statements is incorrect?

- A. The liquidity of Aloe's business improved in 2020.
- B. The current ratio in 2019 is higher than that of 2020.
- C. Current assets increased but current liabilities decreased in 2020.
- D. It might have difficulties in meeting short-term obligations during 2020.

END OF SECTION A

Section B Structured Questions (58 marks)

1. Iris Wong purchases and sells goods on credit. The table below contains a list of transactions occurred in May 2020. Complete the table below for each transaction. The first transaction has been completed as an example. (15 marks)

Transaction	Book of original entry	Account to be debited	Account to be credited
Example: Purchased goods from Rose Chan on credit.	Purchases journal	Purchases	Rose Chan
(a) Sold goods to Peony on credit.	(1)	(2)	(3)
(b) Sold fixtures Pansy in cash.	(4)	(5)	(6)
(c) Paid wages in cash.	(7)	(8)	(9)
(d) Peony returned goods to the business.	(10)	(11)	(12)
(e) Purchased office equipment from Cactus on credit.	(13)	(14)	(15)
(f) The owner withdrew cash from the business bank account for personal use.	(16)	(17)	(18)
(g) Returned office equipment to Cactus.	(19)	(20)	(21)
(h) Iris took goods for private use.	(22)	(23)	(24)
(i) Received commission income from Lotus Company in cash.	(25)	(26)	(27)
(j) Returned goods to Rose.	(28)	(29)	(30)

2. The following information relates to the revenues and expenses of Orchid Co for the year ended 31 December 2019:

- (a) Orchid Co rented an office at \$72 000 per annum in 2013. The lease agreement was then renewed on 1 January 2020. Orchid Co made the following rental payments by cheque during 2014:

2019		\$
Jan 9	Rent for the three months ended 31 January 2019	18 000
Apr 18	Rent for the three months ended 30 April 2019	18 000
Jul 5	Rent for the three months ended 31 July 2019	18 000
Dec 25	Rent for the three months ended 31 October 2019	18 000
Rent totalling \$21 000 for the three months ended 31 January 2020 would be paid on 15 January 2020.		

- (b) Accrued rates as at 1 January 2019 amounted to \$1 554. The business paid rates of \$6 322 during the year, and the amount owed as at 31 December 2019 amounted to \$1 076.
- (c) Commission revenue received during the year amounted to \$88 000. Unearned and accrued commission revenue as at 1 January 2019 were \$2 000 and \$2 505, respectively. Unearned and accrued commission revenue as at 31 December 2019 were \$3 100 and \$2 670, respectively.

Required:

Write up for Orchid Co the rent account, rates account and commission revenue account for the year ended 31 December 2019. Show the amount accrued or prepaid at the year-end. (9 marks)

3. Violet's business had a financial year-end date of 31 December. The following information is available on his business:

(a) Bad debts written off during the years 2017–2019:

2017

Jan	8	Peach	\$35 000
Dec	28	Lily	\$50 000

2018

Mar	5	Canna	\$40 500
Nov	1	Sunflower Co	\$80 000

2019

Apr	18	Daisy Ltd	\$8 000
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(b) Trade receivables balance as at the year-end date:

2017: \$1 421 300

2018: \$1 630 500

2019: \$1 900 800

(c) The percentage of doubtful accounts was 4%, 5% and 3% in 2017, 2018 and 2019, respectively. On 31 December 2018, a specific allowance of \$8 000 was made for Daisy Ltd's debt. Trade receivables as at 31 December 2016 totalled \$1 050 000. An allowance for doubtful accounts of 5% was provided for that year.

(d) On 15 March 2018, Lily repaid \$25 000 of the written-off debt in cash. On 23 December 2019, Lily repaid another \$25 000 by cheque. On 28 December 2019, Sunflower Co repaid \$1 000 of the written-off debt in cash.

Required:

Prepare the bad debts account, bad debts recovered account and allowance for doubtful accounts account for each of the three years. (14 marks)

4. Bamboo Co's trial balance as at 31 December 2019 is as follows:

Bamboo Co		
Trial Balance as at 31 December 2019		
	<i>Dr</i>	<i>Cr</i>
	\$	\$
Purchases and Sales	3 870 516	6 500 798
Trade payables		361 780
Returns	130 180	31 000
Trade receivables	551 000	
Carriage inwards	12 350	
Allowance for doubtful accounts		30 000
Premises	4 000 000	
Furniture and fixtures	200 000	
Accumulated depreciation: Premises		1 500 000
Accumulated depreciation: Furniture and fixtures		60 000
Rent and rates	287 000	
Inventory	201 870	
Carriage outwards	35 600	
Discounts	27 080	63 079
Wages and salaries	800 000	
Capital		1 508 939
Bank		60 000
	<u>10 115 596</u>	<u>10 115 596</u>

Additional information as at the year-end date:

- (i) Prepaid rent of \$16 000 and rates of \$4 000.
- (ii) Annual staff bonus of \$120 000 for 2019 was paid in January 2020.
- (iii) Inventory as at 31 December 2019 was valued at \$75 800.
- (iv) Depreciation on premises was calculated on a straight-line basis at the rate of 12% per annum. Depreciation on furniture and fixtures was calculated on a reducing-balance basis at the rate of 50% per annum.
- (v) The allowance for doubtful accounts was to be maintained at 5% of trade receivables.

Required:

- (a) Prepare an income statement for the year ended 31 December 2019. (11 marks)
- (b) Prepare a statement of financial position as at the same date. (9 marks)

- END OF PAPER -