



MINISTRY OF EDUCATION, SINGAPORE
in collaboration with
CAMBRIDGE INTERNATIONAL EDUCATION
Secondary Education Certificate

CANDIDATE
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INDEX
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G3 PRINCIPLES OF ACCOUNTS

K342/02

Paper 2

For examination from 2027

SPECIMEN PAPER

2 hours

You must answer on the question paper.

You will need: Insert

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and index number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen. Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- If additional space is needed, you should use the lined pages at the end of this booklet; the question number or numbers must be clearly shown.
- You may use an approved calculator.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [].
- The businesses described in this question paper are fictitious.
- The insert contains the data for Question 1.

This document has **16** pages.

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 July 2027.

XY Pte Limited
Statement of financial performance for the year ended 31 July 2027

[10]

- (b) Prepare the statement of financial position as at 31 July 2027.

XY Pte Limited
Statement of financial position as at 31 July 2027

. [10]

[Total: 20]

[Turn over]

- 2 Xavier runs an advertising agency. The following information has been provided for the financial year ended 31 July 2027.

- 1 Payments made for utilities during the year were \$8500.
- 2 Commission received during the year was \$9000.
- 3 The sum of \$284 was included in the payments for utilities in respect of August 2027.
- 4 Commission income of \$800 had not been received on 31 July 2027.

REQUIRED

- (a) Calculate the amounts (showing all workings) to be included in the statement of financial performance of the business for the year ended 31 July 2027 for:

- (i) utilities expense

.....
.....
.....
..... [3]

- (ii) commission income

.....
.....
.....
..... [3]

- (b) State and explain the accounting theory which is being applied when calculating the amounts for utilities expense and commission income for the year ended 31 July 2027.

accounting theory

explanation

.....
.....
..... [2]

- (c) State **two** ways of internal control a business may use to safeguard cash balances.

1

2

[2]

- (d) State **three** types of item paid or received directly through the bank for which a bank statement may be used as proof.

1

2

3

[3]

[Total: 13]

- 3 The following information relates to Kim's business at 30 September 2025, 2026 and 2027.

	2025 \$	2026 \$	2027 \$
current assets			
inventory	38 625	43 800	59 850
trade receivables	27 000	35 700	42 900
cash at bank	<u>13 125</u>	<u>8 100</u>	<u>—</u>
	<u>78 750</u>	<u>87 600</u>	<u>102 750</u>
current liabilities			
trade payables	18 000	25 950	27 750
cash at bank	—	—	1 050
expenses payable	3 750	4 800	3 045
current portion of long-term borrowings	<u>—</u>	<u>—</u>	<u>22 500</u>
	<u>21 750</u>	<u>30 750</u>	<u>54 345</u>
current ratio	3.62	?	?

REQUIRED

- (a) Explain what is meant by the liquidity of a business.

.....

[2]

- (b) Calculate the current ratio of the business for each of the two years ended 30 September 2026 and 2027. Show your answers to **two** decimal places.

2026

.....

2027

.....

[2]

- (c) Evaluate the trend in liquidity of the business over the three years ended 30 September 2025, 2026 and 2027. Use the given information and your answer to 3(b).

[6]

The business profit has remained the same over the three years ended 30 September 2025, 2026 and 2027.

REQUIRED

- (d) Advise Kim why the liquidity of the business has changed even though profit has remained the same over the three years.

.....
.....
.....
.....
.....
..... [2]

Kim is considering comparing the profitability of her business with that of a competitor.

REQUIRED

- (e) Name **one** profitability ratio which Kim could use.

..... [1]
[Total: 13]

Turn over

- 4 Lim runs a trading business. He has provided the following information.
- 1 All sales are made on credit.
 - 2 The business's terms of trade with customers are for payment in full within 30 days.
 - 3 No discount is offered for early settlement.
 - 4 The business's trade receivables collection period is 34 days on average.

Jennifer is a prospective new customer. The following information has been made available about Jennifer's business.

- 1 Jennifer operates her business overseas.
- 2 Jennifer opened her business selling electronic items nine months ago. As a successful business, she expects to double her sales revenue within one year.
- 3 Jennifer's business pays its suppliers on average within 35 days.
- 4 Jennifer can provide details of two of her current suppliers who are willing to give a reference as to her reliability and payment history.

REQUIRED

- (a) Recommend whether or not Lim should agree to make sales on credit to Jennifer. Justify your decision with **three** reasons.

[7]

The following transactions took place during May 2027 with a credit customer, Tan.

2027

- May 8 Goods, \$800, were supplied to Tan
- 15 Tan returned faulty goods costing \$200
- 18 Tan paid Lim \$250

The balance on Tan's account was still outstanding at the end of Lim's business financial year on 30 September 2027. Lim was informed that Tan's business was bankrupt and had closed down. Lim decided to write this balance off in full.

REQUIRED

- (b) Prepare the journal entry to write off the outstanding balance at 30 September 2027. A narration **is** required.

Journal

date 2027		debit \$	credit \$

[4]

- (c) Explain why a business may decide to make an allowance for impairment of trade receivables.

.....

 [2]

- (d) Name **one** accounting theory which is applied when making an allowance for impairment of trade receivables.

..... [1]

[Total: 14]

Additional page

If you use the following page to complete the answer to any question, the question number must be clearly shown.

Additional page

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