

ZHONGHUA SECONDARY SCHOOL PRELIMINARY EXAMINATION 2024 SECONDARY 5 NORMAL ACADEMIC

Candidate Name	Class	Register Number

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

28 August 2024 1 hour

READ THESE INSTRUCTIONS FIRST

Write your name, class and register number on all the work you hand in.

Write in dark blue or black pen on both sides of the paper.

You may use a soft pencil for any rough working. Do not use paper clips, glue or correction fluid.

Answer all questions.

You may use a calculator.

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Where the columnar format is used, the running balance column should be updated for the first and last entries. Where applicable, the balance should be brought down to the next financial year.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

For examiner's Use:					
Question Score					
1	/ 15				
2	/ 9				
3	/ 16				
Total	/ 40				

Setter: Mr John Kok

Vetters: Ms Teo Jing Zhi & Ms Destiny See

This question paper consists of 8 printed pages (including this cover page)

Answer all questions.

1 Tylo Ltd buys and sells sunglasses. Its financial year ends on 31 March.

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м	Е.		L		1.0	_	•

	State the first step in the manual accounting information system.
	[1]
S	State and explain the accounting concept that makes the first step of the accounting information system a requirement.
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	Tyle Ltd. being the pioneer in the industry, wants to record its reputation as an asset, as people
	Tylo Ltd, being the pioneer in the industry, wants to record its reputation as an asset, as people associate Tylo Ltd with sunglasses. As an accountant of Tylo Ltd, state and explain, with reference to an accounting theory why this should not be done.
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After preparing the statement of financial performance for the year ended 31 March 2024, the accountant of Tylo Ltd found the following errors.

- 1 Cheques paid to Jackson LLP was debited to Jason Ltd amounting to \$2 000.
- A cheque of \$400 was received from Lim Pte Ltd in full settlement of an outstanding amount of \$450. The discount was missed out in the records.
- A commission income of \$700 by cheque was debited to the commission income account and credited to the cash at bank account.

The loss for the year before the discovering of the errors was \$522.

Prepare journal entries to correct for each of the above errors. Narrations are not require					
General Journal					

[6]					

(e)

Prepare a statement to show the adjusted profit for the year ended 31 March 2024.
•••••••••••••••••••••••••••••••••••••••
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[4]

[Total: 15]

2 Chic Co, a business owned by Glenda, selling computers, had the following balances in the inventory account as at 30 April 2024.

Inventory account						
Date	Particulars	Debit	Credit	Balance		
		\$	\$	\$		
2023						
May 1	Balance b/d			60 000 Dr		
May 21	Hipster & Co	35 000	<u> </u>	95 000 Dr		
Jul 8	Cash at bank			93 000 Di		
	Casil at balik	2 000		97 000 Dr		
Aug 31	Advertising		3 000	94 000 Dr		
Sep 11	Cost of sale		10 000	84 000 Dr		
Nov 12	Flora Prints	42 000		126 000 Dr		
2024						
Jan 22	Cost of sale		25 000	101 000 Dr		
Feb 8	Cost of sale		48 000	53 000 Dr		
Mar 12	Drowings			33 000 Di		
	Drawings	1 000		54 000 Dr		
May 1	Balance b/d			-		
···	Dalario D/U			54 000 Dr		

REQUIRED

Interp	ret the transactions that took place on the following dates.
(i)	May 21
••••••	[1]
(ii)	August 31

(b)	Identifying one error in the inventory account entries and explain why it is an error.
	[2]
	[2]
(c)	Calculate the inventory level on 30 April 2024 after correcting for the error in (b).
	[1]
(d)	Calculate the cost of sales and hence the day sales in inventory for the year ended 30 April 2024.

	•••••••••••••••••••••••••••••••••••••••
	•••••••••••••••••••••••••••••••••••••••
	[3]
(e)	Briefly describe what does the answer to (d) mean.
	,
	[1]

3 On 1 October 2021, Highway Trading took up a bank loan of \$40 000. The loan is to be repaid equally over ten years. Interest is charged at 5% per annum.

The loan instalment and interest are to be repaid on 30 September every year by bank transfer.

On 1 April 2023, Highway Trading who is in need for cash took up another loan of \$20 000. This loan is to be repaid over five years. Interest is charged at 6% per annum.

The instalment and interest for this loan are to be repaid on 31 March every year by bank transfer.

Highway Trading has a financial year ending on 31 December.

REQUIRED

(a)

Prepare the interest expense account for the financial years ending 31 December 2022 and 2023.
Interest expense
[8]

(b) Prepare an extract of the statement of financial position as at 31 December 2023, **showing** only the liabilities sections.

			way Trading			
	Statement of	f financial pos	ition as at 3°	December 2	2023 (extrac	t)
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ZHONGHUA SECONDARY SCHOOL PRELIMINARY EXAMINATION 2024 SECONDARY 5 NORMAL ACADEMIC

Candidate's Name	Class	Register Number
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PRINCIPLES OF ACCOUNTS

7087/02

INSERT

9 September 2024 2 hours

READ THESE INSTRUCTIONS FIRST

This insert contains the data for Question 1.

Setter: Mr John Kok

Vetter: Ms Teo Jing Zhi & Ms Destiny See

Data for Question 1

1 The following balances were extracted from the books of Desire Diamonds on 30 June 2024.

	\$
Capital	249 520
Cost of sales	60 700
Sales revenue	170 270
Sales returns	9 000
Advertising	22 700
Salaries and wages	51 050
Loan interest	1 200
General expenses	10 380
Rent income	18 000
Trade receivables	31 950
Trade payables	20 650
Discount allowed	4 800
Discount received	1 440
8% Bank loan	50 000
Cash at bank	15 700
Inventory	10 300
Fixtures and fittings	72 000
Plant and equipment	288 000
Accumulated depreciation:	
Fixtures and fittings	12 000
Plant and equipment	50 900
Allowance for impairment of trade receivables	5 000

Additional information

- A fire broke out and destroyed 30% of the inventory on 25 June 2024. Insurance claim was filed and agreement of reimbursement of \$0.40 to every dollar of goods destroyed was made on 30 June 2024. No records were made with regard to this. After a full stock check, the market value of the inventory on 30 June 2024 amounted to \$6 500.
- 2 The rent income covered an 18 months period ending 31 December 2024.
- 3 Salaries and wages amounted to \$5 000 per month.
- A sales invoice with a list price of \$1 000 was not recorded even though the cost of goods portion was recorded. There was a trade discount of 5% for this transaction.
- 5 Fixtures and fittings was to be depreciated at 10% per annum using the straight-line method.
- 6 Plant and equipment was to be depreciated at 5% per annum using the reducingbalance method.
- 7 Single Strength, a trade receivable, went bankrupt and its debt of \$3 000 was to be written off.
- 8 A review at year end estimated that 5% of the trade receivables was uncollectible.
- 9 The 5-year 8% bank loan was taken up on 1 January 2024. The loan and interest are payable every year on 1 January.

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ZHONGHUA SECONDARY SCHOOL PRELIMINARY EXAMINATION 2024 SECONDARY 5 NORMAL ACADEMIC

Candidate Name	Class	Register Number

PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

9 September 2024 2 hours

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Answer all questions.

You may use a calculator.

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The number of marks is given in brackets [] at the end of each question or part question.

Question	Score
1	/ 20
2	/ 14
3	/ 15
4	/ 11
Total	/ 60

Setter: Mr John Kok

Vetter: Ms Teo Jing Zhi & Ms Destiny See

This question paper consists of 16 printed pages (including this cover page)

Answer all questions.

1 Refer to the insert for data for Question 1.

REQUIRED Prepare the statement of financial performance for the year ended 30 June 2024. (a) Desire Diamonds Statement of Financial Performance for the year ended 30 June 2024

,

[10]

(b) Prepare the statement of financial position as at 30 June 2024.

Desire Diamonds
Statement of Financial Position as at 30 June 2024
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<i>*************************************</i>

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[10]

[Total: 20]

[Turn over

2 The cash at bank account and bank statement for Trusty Trading for the month of July 2024 were as follows:

Cash at bank account

0004	Particulars	Cheque number	Debit \$	Credit \$	Balance \$
2024		Oneque names:			2 236 Dr
Jul 1	Balance b/d				5 736 Dr
3	Justin		3 500		
9	Jack Supplies	5304		1 155	4 581 Dr
	Commission income		5 000		9 581 Dr
14			4 120		13 701 Dr
16	Sinking Shop		4 120	0.000	5 701 Dr
19	Salaries expense	5305		8 000	
23	Claire	5306		2 888	2 813 Dr
			2 915		5 728 Dr
26	Luke				5 728 Dr
Aug 1	Balance b/d				<u> </u>

Bank statement

2024		Payments \$	Receipts \$	Balance \$
	Dalance h/d			4 236 Cr
Jul 1	Balance b/d		3 500	7 736 Cr
3	Credit transfer: Justin	1		6 181 Cr
5	Cheque No: 5304	1 555		
12	Cheque No: 5289	2 000		4 181 Cr
			5 000	9 181 Cr
17	Cheque deposit	8 000		1 181 Cr
19	Cheque No: 5305			
20	Direct debit: Utilities	2 200		1 019 Dr
27	Cheque deposit		4 120	3 101 Cr
	Cheque deposit	4 120		1 019 Dr
29	Cheque (rejected cheque on Jul 27)	7 120	12	1 007 Dr
30	Interest		12	
30	Bank charges	20		1 027 Dr

Additional information

Both the bank and Trusty Trading made an error in the recording of cheque 5304 in their books. The correct amount for the transaction should be \$1 500.

REQUIRED

(a)	State one purpose of internal control.
	[1]
(b)	State two methods of internal control over cash other than bank reconciliation.
	[2]

(c)	Update the cash at bank account on 31 July 2024.
	Cash at bank account
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	······································
4.85	[6]
(d)	Prepare the bank reconciliation statement as at 31 July 2024.
	Bank reconciliation statement as at 31 July 2024.
	[5]

[Total: 14]

[Turn over

3 Alodia owns a bakery that specialises in online sale. On 1 May 2021, Alodia's business bought two identical vans costing \$90 000 each to ensure on time delivery of her product.

On 9 August 2023, the business sold one of the vans and received a cheque for \$60 000. On the same day, the business bought a new van on credit from Shiny Vans Ltd. The break down of cost related to this new van is as follows:

		\$
Cost of van	90	000
Yearly road tax for the van	3	000
Import tax for bringing van from Japan to Singapore	7	200
Monthly salary for the van driver	3	800
Painting of the company logo onto van	2	800
Petrol cost per month for the van	1	900

The business depreciates its motor vehicles at a rate of 20% per annum using the reducing balance method. A full year of depreciation is charged in the year of purchase, while no depreciation is charged in the year of sale. The business financial year ends 31 December.

REQUIRED

a)	Explain using an accounting theory why Alodia will not include the measuring cup in her kitchen as a non-current asset.
	[2]
(b)	Calculate the depreciation expense of motor vehicles for the year ended 31 December 2023.

	[2]

(c)	Prepare the journal entries to transfer the gain or loss on the sale of non-current asset or 31 December 2023. Narration is not required.
	General Journal

Alodia has two regular credit customers who requested for credit extension from 30 days to 45 days. She provided the following information about them.

	Linus Party	Marcus Meal
Nature of business	Party planners who mainly organise birthday parties for clients.	A bistro restaurant located in the heart of town, with regular customer base. The cakes Alodia provided for the restaurant is a favourite among customers.
History of repayment	Average of 33 days	Average of 42 days
Average trade receivables balance	\$25 000	\$12 000
Credit sales revenue in the past year	\$69 700	\$42 800
Reputation of business	Started business 2 years ago but has garnered attention for offering unique and innovative services.	Operating in the industry for 10 years and had been featured in both local and overseas media.
Industry Outlook	Business has started to wane post- Covid as fewer people are willing to spend on professionally planned parties and had chosen for simpler options.	growing post-Covid since more tourists are coming into Singapore.

REQUIRED

(d)

Recommend whether Alodia should grant credit extension to Linus Party of Marcus Mean. Justify your decision with three reasons.

[7]

[Total: 15]

[Turn over

Alaska Fresh

4 The following is extracted from the statements of financial position of two seafood retailers as at 30 June 2024.

South Pac Live

		\$	\$	
	Delivery Van	90 800	120 650	
	Inventory	32 760	153 800	
	Trade receivables	20 100	14 200	
	Prepaid rent expense	1 200	6 500	
	Cash at bank	14 600	_	
		30 000	80 000	
	Long-term borrowings	15 800	11 800	
	Trade payables Rent income received in advance	900	1 200	
	Bank overdraft	_	4 200	
		_	10 000	
	Current portion of long-term borrowings			
REQ	UIRED			
(a)	State one reason why liquidity is important to a	business.		
			•••••	•••
				[1]
(b)	Calculate to two decimal places for both South	Pac Live and Alas	ska Fresh:	
(~)				
	(i) Current ratio			
	(4)			
				.

	(II) Quick ratio
	[2
(c)	Evaluate the liquidity of South Pac Live and Alaska Fresh for the year ended 30 June 2024.

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[6]

Additional pages

[Turn over

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ZHONGHUA SECONDARY SCHOOL PRELIMINARY EXAMINATION 2024 SECONDARY 5 NORMAL ACADEMIC

Candidate's Name	Class	Register Number
Suggested Making Scheme		

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

28 August 2024 1 hour

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2	/ 9	
3	/ 16	
Total	/ 40	

Setter: Mr John Kok

Vetters: Ms Teo Jing Zhi & Ms Destiny See

Answer all questions.

- 1 (a) Source document [1]
 - (b) Objectivity theory. [1] Transactions are recorded based on information that is reliable and verifiable, where source documents serves this purpose. [1]
 - (c) Monetary theory. [1] Only business transactions that can be measured in monetary terms are recorded while reputation is not measured in monetary terms. [1]

(d)

General Journal

[6]

Data	Particulars	Debit	Credit
Date	Farticulars	\$	\$
2024 March 31	Trade payable, Jackson LLP	2 000 [1]	
Maich 31	Trade payable, Jason Ltd		2 000 [1]
March 31	Discount allowed	50 [1]	
	Trade receivable, Lim Pte Ltd		50 [1]
March 31	Cash at bank	1 400 [1]	- 100 [1]
	Commission income		1 400 [1]

(e)

Tylo Ltd

Statement to show adjusted profit for the year ended 31 March 2024		
Unadjusted loss for the year	(522) [1]	
Add: Commission income	<u>1 400 [1]</u>	
	878	
Less: Discount allowed	<u>50_</u> [1]	
Adjusted profit for the year	<u>828</u> [1]	

[Total: 15]

- 2 (a)(i) Purchased inventory amounting to \$35 000 from Hipster Co on credit. [1]
 - (a)(ii) Inventory worth \$3 000 was used for advertising purpose. [1]
 - (b) The entry on 12 March 2024 [1] was an error as drawings should result in a reduction in inventory account and should therefore appear in the Cr column. [1]
 - (c) Ending inventory = 53000 1000 = 52000 [1]
 - (d) Cost of sales = (10000+25000+48000) = 83000 [1]

Day sales in inventory = $[(60000+52000)/2]/83000 \times 365$ [1] = 246.27 days [1]

(e) It means Chic Co. takes 246.27 days to sell its average inventory. [1]

[Total: 9]

3 (a)

Interest Expense

Date	Particulars	Dr	Cr	Bal
2022				Dai
1 Jan	Interest expense payable (3/12 x 5% x 40000)	-	500	500 Cr
30 Sep	Cash at bank (5% x 40000)	2 000		1 500 Dr [1]
31 Dec	Interest expense payable (3/12 x 5% x 36000)	450		1950 Dr
31 Dec	Income summary	[1]	1 950	
2023			1 000	
1 Jan	Interest expense payable	[1]	450	450 Cr
30 Sep	Cash at bank (5% x 36000)	1 800		1 350 Dr [1]
31 Dec	Interest expense payable (3/12 x 5% x 32000)+(9/12 x 6% x 20000) [1]	1 300*		2 650 Dr [1]
31 Dec	Income summary		2 650	

(b)

Highway Trading

Statement of financial position as at 31 December 2023 (extract)

Non-current liabilities

Long term borrowing (28000+16000)[1]

44 000 [1]

Current liabilities

Current portion of long term borrowing (4000+4000) [1]

8 000 [1]

Interest expense payable * (of)

1 300 [1] 9 300

(c) Based on the going concern theory [1] which states that a business is assumed to have an indefinite economic life unless there is credible evidence that it may close down [1], Highway Trading will still need to continue keeping their financial records as there are yet to have credible evidence that it may close down just financial challenges. [1]

[Total: 16]



ZHONGHUA SECONDARY SCHOOL PRELIMINARY EXAMINATION 2024 SECONDARY 5 NORMAL ACADEMIC

Candidate's Name	Class	Register Number
Suggested Marking Scheme		
		1

PRINCIPLES OF ACCOUNTS

7087/02

9 September 2024 2 hours

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4	/ 11
Total	/ 60

Setter: M Mr John Kok

Vetter: Ms Teo Jing Zhi & Ms Destiny See

This question paper consists of 6 printed pages (including this cover page)

1	(a)	Desire Diamo		0 June 2024	
		Statement of imancial performance	. 101 6110 1021 23333	\$	\$
	Sales revenue (170	270 + 0 95x1000)		171 220 [1]
	Less: sales return	270 1 3.33,40007		9 000	
	Net sales revenue				162 220
	Less: Cost of sales				<u>60 700</u>
	Gross profit				101 520
	Add: Other income	•			_
		ne (12/18 x 18000)		12 000 [1	
	Discount re			1 440	<u>13 440</u> 114 960
	Less: Other expens	ses			
	Advertisin			22 700	1
	Salaries ar	d wages (12 x 5 000)		60 000 [1	-
	Loan inter	est (8% x 50000 x 6/12)		2 000 [3	LJ
	General ex	penses		10 380	
	Discount a	llowed		4 800	1
	Depreciati	on of fixtures and fittings (10% x 720	100)	7 200 [1 11 85 5 [3	
	Depreciati	on of plant and equipment (5% x [28	(8000-50900)	2 564 [-
	Impairme	nt loss on inventory		2 304 (- J
	(0.3 x 103	00 x 0.6 +([0.7 x 10300]-6500)) [1]		(505)	11
	Reversal o	f impairment loss on trade receivabl	es >o\ [4]	(505)	,±,
	(5% x ([31	950 + 0.95 X 1000 - 3000])-5000+300)() (<u>1</u>)	<u></u>	120 9 <u>94</u>
	Loss for th	ne year			(6 034)
	4.5	Des	ire Diamonds		
	(b)	Statement of financial position		4	
	<u>Assets</u>		Cost	Accum depn	NBV
	Non-Current a	ssets (1200)	72 000	19 200 [1]	52 800
	Fixtures and fi	ttings (12000+7200)	288 <u>000</u>	62 755 [1]	<u>225 245</u>
	Plant and equi	pment (50900+11855)	<u>360 000</u>	81 955	278 045
	Current assets		(-1		
	Trade receivat	oles (31950+0.95x1000-3000)	29 900 [1]		
	Less: Allowand	e for impairment on tr	<u>1 495 [1]</u>	28 405	
		1950+0.95x1000-3000])		16 936 [1]	
	Cash at bank (15700+0.4 x 0.3 x 10300		6 500	<u>51 841</u>
	Inventory				329 886
	Total assets				
	Equity and lial				
	Owner's equit			243 4	86
	Capital (24952	20 - 6034)			
	Non-current li	<u>abilities</u>		40.0	00 [4]
		rowings (50000 x 4/5)		40 0	00 [1]
	<u>Current liabili</u>	<u>ties</u>	20 65	0	
	Trade payable	25		0 0 [1]	
	Rent income	received in advance (6/18 x 18000)		0 [1] 0 [1]	
	Salaries and v	vages payable (12 x 5000 - 51050)		0 [1] 0 [1]	
	Interest payal	ble (2000-1200)			00
	Current portion	on of long term borrowing (1/5 x 500	(1) <u>10 90</u>	<u> </u>	329 886
					[Total: 20]

(a) State one purpose of internal control.

Any one of the following: [1]

- 1. Safeguard assets of the business
- 2. Ensure business transactions are recorded accurately
- 3. Comply with laws and regulations
- (b) State two methods of internal control over cash other than bank reconciliation.
 - 1. Segregation of duties. [1]
 - 2. Custody of cash. [1]
 - 3. Authorisation. [1] [Any 2 points]
- (c) Update the cash at bank account on 31 July 2024.

Date	Particulars	Dr	Cr	Bal
2024		\$	\$	
Jul 31	Balance b/d		Ψ	\$ 5 728 D
	Jack Supplies		345 [1]	3 720 D
	Utilities		2 200 [1]	
<u> </u>	Sinking Shop		4 120 [1]	
	Interest income	12 [1]	1 1 1 1 1 1	
	Bank charges		20 [1]	945 Cı
Aug 1	Balance b/d			945 Cr [1]

(d) Prepare the bank reconciliation statement as at 31 July 2024.

Trusty Trading Bank Reconciliation Statement as at 31 July 1997	IN 2024
	\$
Dr balance as per bank statement	(1 027) [1]
Add: Deposits in transit	
Cheque No: 5304 (error)	55 [1]
Luke	2 915 [1]
Less: Cheques not yet presented	
Claire	2 888 [1]
Cr balance as per updated cash at bank account	(945) [1]
	[

[Total: 14]

- 3 (a) According to the materiality theory [1], relevant information should be reported in the financial statements if it is likely to make a difference to the decision-making process and since the amount spent on measuring cup is insignificant, it can be reported as an expense instead of a non-current asset. [1]
 - (b) Depreciation for the year ended 31 December 2023

= 20% x (90000-18000-14400) + 20% x (90000+7200+2800) [1] = 11520 + 20000

= \$21520 [1]

(c)

General Journal			
Date	Particulars	Dr	Cr
2023		\$	\$
Aug 9	Sale of non-current asset	90 000	
Aug 3	Motor Vehicle		90 000
<u> </u>	Accumulated depreciation of motor vehicle	32 400	
	Sale of non-current asset		32 400
	Cash at bank	60 000	
	Sale of non-current asset		60 000
	Sale of non-current asset	2 400	
	Income Summary		2 400

1 mark per double entry

[4]

- (d) Decision [1]: Alodia should extend credit to Linus Party
 - Evidence [1]: Linus Party has a repayment history averaging 33 days which is within the 45 days requested.
 - Explanation[1]: This will allow Alodia to reduce the time and cost needed to process late payments and would free her up to focus on other aspect of the business.
 - Evidence [1]: Linus Party credit sales revenue is \$26 900 more than Marcus Meal or average trade receivables balance is \$13 000 more.
 - Explanation[1]: This means it is more important to keep Linus Party as a customer by extending credit since losing them would means a big reduction in revenue and therefore lower potential profit
 - Evidence [1]: Linus Party has garnered attention for offering unique and innovative services.
 - Explanation[1]: This means that Linus Party has the ability to attract more unique customers through their innovation and thus has a potential to have a larger demand of goods and therefore by offering credit extension and keeping Linus Party as a customer, Alodia has the potential of early higher profit.

OR

Decision [1]: Alodia should extend credit to Marcus Meal

Marcus Meal is centrally located with a regular customer base who like Evidence [1]: Alodia's cakes.

Explanation[1]: This means that Marcus Meal has a steady flow of business and is unlikely

to close. As a result, Alodia would be unlikely to experience expense due to

Marcus Meal inability to pay up.

Marcus Meal has a repayment history averaging 42 days which is within the Evidence [1]:

45 days requested.

Explanation[1]: This will allow Alodia to reduce the time and cost needed to process late

payments and would free her up to focus on other aspect of the business.

Marcus Meal has been operating for 10 years and had been featured in both Evidence [1]:

local and overseas media.

Explanation[1]: This means that Marcus Meal has an attractive business with strong

customer loyalty and is therefore unlikely to close. Therefore, Alodia would be unlikely to experience expense due to Marcus Meal inability to pay up.

Evidence [1]: Marcus Meal business has been growing after Covid.

Explanation[1]: This means that Marcus Meal may be demanding more of the goods and

therefore by offering credit extension and keeping Marcus Meal as a

customer, Alodia has the potential of early higher profit

[Total: 15]

Liquidity is important to a business in order to: (any one answer) [1] (a)

- 1. ensure sufficient cash flow to maintain the day-to-day operations;
- 2. meet its short-term obligations or loans;

3. take advantage of cash discounts as the business is able to pay promptly; and take advantage of good investment opportunities using existing funds.

Current ratio, South Pac Live = (32760+20100+1200+14600)/(15800+900) (b) (i)

= 4.11[1]

Current ration, Alaska Fresh = (153800+14200+6500)/(11800+1200+4200+10000)

= 6.41 [1]

(ii) Quick ratio, South Pac Live = (20100+14600)/(15800+900)

= 2.08[1]

Quick ratio, Alaska Fresh = (14200)/(11800+1200+4200+10000)

= 0.52[1]

(c) (Any 6 points, 1m each)

- The current ratio of Alaska Fresh at 6.41 is better than that of South Pac Live at 4.11. [1]
- The current ratios of both businesses are above the general benchmark of 2 which indicates that both businesses have sufficient current assets to pay for its immediate debts.
- However, the quick ratio of Alaska Fresh at 0.52 is worse than that of South Pac Live at
 2.08. [1]
- While the quick ratio of South Pac Live is above the general benchmark of 1, the quick ratio
 of Alaska Fresh is below the general benchmark. This suggests that Alaska Fresh has
 insufficient quick assets to pay for its immediate debts [1] while South Pac Live has
 sufficient quick assets to pay for its immediate debts.. [1]
- This is evident/further supported from the bank overdraft position of Alaska Fresh as at 30 June 2024. [1]
- This may be due to Alaska Fresh having its funds tied up in inventory as its inventory balance of \$153 800 is significantly much higher than that of South Pac Live at \$32 760. [1]
- Moreover, Alaska Fresh has higher current liabilities due to its current portion of long-term borrowings of \$10 000 as compared to South Pac Live which has none. [1]
- Therefore, Alaska Fresh is less liquid than South Pac Live.

[Total: 11]