



MINISTRY OF EDUCATION, SINGAPORE  
in collaboration with  
UNIVERSITY OF CAMBRIDGE LOCAL EXAMINATIONS SYNDICATE  
General Certificate of Education Advanced Level  
Higher 2

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## PRINCIPLES OF ACCOUNTING

9755/01

Paper 1

October/November 2012

2 hours 30 minutes

Additional Materials: Multi-column accounting paper (6 sheets)

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### READ THESE INSTRUCTIONS FIRST

Write your Centre number, index number and name 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 staples, paper clips, highlighters, glue or correction fluid.

#### Section A

Answer **all** questions.

#### Section B

Answer **all** questions.

All calculations must be shown adjacent to the answer.

You may use a calculator.

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.

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This document consists of 9 printed pages and 3 blank pages.



Singapore Examinations and Assessment Board



UNIVERSITY of CAMBRIDGE  
International Examinations



**SECTION A**

Answer **all** questions.

- 1 Accounts are prepared using a number of accounting conventions, including the following:
- 1 prudence;
  - 2 consistency;
  - 3 accruals.

**REQUIRED**

Briefly explain the terms and give an example of each in relation to the preparation of final accounts/statements.

[Total: 9]

- 2 Mr Wei does not keep double entry accounting records in respect of his business. He has asked you to calculate whether or not he has made a profit or loss for the last year by providing you with the following information:

	At 30 June 2012	At 30 June 2011
	\$	\$
Freehold property	50 000	30 000
Motor vehicles	15 000	10 000
Stock (inventory)	4 300	5 100
Debtors (trade receivables)	7 600	5 900
Creditors (trade payables)	6 000	5 500
Bank balance	1 200	300

Mr Wei advises you that during the year he took drawings of \$12 000 from the business. The freehold property was revalued during the year.

**REQUIRED**

Prepare a calculation showing how much profit or loss Mr Wei has made for the year ended 30 June 2012.

[Total: 9]

- 3 Mr Wong, a retailer, suspects that some of his takings have been stolen. He provides you with the following information in respect of his sales and purchases for the last month:

	\$
Net cash purchases for the month at cost	92 000
Takings banked	92 300
Drawings paid from takings before banking	14 000
Wages paid from takings before banking	3 000

Mr Wong earns a uniform 20% margin on all his sales. During the month his inventory (stock) increased by \$2000.

#### REQUIRED

- (a) Calculate the amount of cash stolen during the month. [5]
- (b) State **two** ways he could improve the security of his cash takings. [2]

**[Total: 7]**

- 4 John's accounting year ends on 30 June 2012. His book-keeper has prepared a draft trading and profit and loss account (income statement). This showed a net profit of \$20 000. John has reviewed the value of his stock (inventory) and found the following errors:

- 1 The opening stock (inventory) at 1 July 2011 had been overvalued by \$4000.
- 2 100 items of product A at 30 June 2012 had been included at their cost price of \$30 each. The goods were slightly damaged and could only be sold for \$25 each.
- 3 20 items of product B had been included at their cost price of \$40 each. These were also damaged and required further work, costing \$2 per item to bring them to a saleable condition. When this had been done the items could then be sold for \$20 each.

#### REQUIRED

- (a) State the basis on which inventory (stock) should be valued for inclusion in the income statement (trading and profit and loss account). [2]
- (b) Calculate the correct net profit figure after taking items 1–3 above into account. [4]

**[Total: 6]**



- 8 The balance sheet (statement of financial position) of Sam's Trading Company (PTE) at 31 March 2011 is set out below:

Sam's Trading Company (PTE)  
Balance Sheet (Statement of Financial Position)  
at 31 March 2011

	\$000 Cost	\$000 Dep'n	\$000 NBV
Fixed Assets (non-current)			
Land and buildings	50	5	45
Plant and machinery	<u>40</u>	<u>15</u>	<u>25</u>
	<u>90</u>	<u>20</u>	70
Current assets			
Stock (inventory)		8	
Debtors (trade receivables)		12	
Bank (cash and cash equivalents)		<u>1</u>	
		21	
Current liabilities			
Creditors (trade payables)		<u>(6)</u>	15
Long-term liabilities (non-current)			
Loan			<u>(30)</u>
			<u>55</u>
Equity			
Ordinary shares			40
Retained earnings			<u>15</u>
			<u>55</u>

The company accountant has prepared the following statement of cash flows (cash flow statement) for the year ended 31 March 2012:

Sam's Trading Company (PTE)  
Cash Flow Statement (Statement of Cash Flows)  
For Year Ended 31 March 2012

	\$000	\$000
Cash generated from operations		
Profit from operations		2
Depreciation for the year on plant and machinery		8
Change in creditors (trade payables)		(3)
Change in debtors (trade receivables)		2
Change in stock (inventory)		(1)
Dividends paid		(2)
Interest paid		<u>(1)</u>
		5
Investing activities		
Purchase of new machinery	(9)	
Sale of old machinery	<u>2</u>	(7)
Financing activities		
Repayment of loan		<u>(5)</u>
Net decrease in Bank (cash and cash equivalents)		(7)
Bank at the beginning of the year (cash and cash equivalents)		<u>1</u>
Bank at the end of the year (cash and cash equivalents)		<u>(6)</u>

Additional information:

- 1 The machinery was sold on 1 April 2011. It originally cost \$4000. There was no profit or loss on disposal.
- 2 During the year the land and buildings had been revalued at \$70 000.

**REQUIRED**

- (a) Prepare the balance sheet (statement of financial position) for Sam's Trading Company (PTE) at 31 March 2012. [16]
- (b) State **two** advantages of preparing a cash flow statement (statement of cash flows). [4]

**[Total: 20]**

