PRINCIPLES OF ACCOUNTS (POA)

By Mdm Ng

WHAT IS ACCOUNTING?

Accounting is the **systematic** process of **recording, summarizing**, **analyzing**, **and reporting** a business's financial transactions.

Accounting is important because the financial information presented serves as critcal foundation for business visibility, legal compliance and strategic growth.

WHAT IS THE SUBJECT, POA?

The subject POA is designed to provide students with a meaningful basic introduction to accounting.

During the 1.5 year of learning, you will be brought through the **process of recording, summarizing, analyzing, and reporting**.

POA RELEVANCE

POA is considered a relevant Humanities subject for entry to business courses in the polytechnics.

It serves as a basic foundation to business courses at the polytechnics and universities.

ASSESSMENTS

2 Papers in the examination:

Paper 1

- consists of 3 or 4 short structured questions
- 40 marks
- 1-hour duration

Paper 2

- consists of 4 structured questions
- 60 marks
- 2-hour duration

ATTRIBUTES THAT WILL HELP YOU IN THE LEARNING OF POA

1. PATIENT AND RESILIENT

It is a totally new subject to you.
We need to build foundation on the subject and expand from the foundation. All within 1.5 years.

2. WILLING TO STUDY

There are new terms for you to learn.

There are theories and definitions to learn.

When writing out these theories and definitions, you need to write out the key words.

You are required to apply the theories in different contexts.

3. CAREFUL

The questions are contextual in nature. You need to pick up the key information given to you.

3.CAREFUL

3 Jerry Trading buys and sells goods on credit. The following information relates to Tommy's account in Jerry Trading's ledger for the month of March 2025.

2025	
Mar 1	Amount owed by Tommy was $1 800.
Mar 6	Jerry Trading sold goods to Tommy at a list price $5 000, less 5% discount.
Mar 10	Tommy returned goods, at list price $300, to Jerry Trading. The goods were previously bought on 6 March.
Mar 18	Tommy paid Jerry Trading a cheque of $2 940 after enjoying a discount of $60 given by Jerry Trading.

4. GOOD NUMBER SENSE

Have an intuitive, flexible **understanding** of numbers and **how they relate to one another** rather than just memorizing rigidly.

(b) State the effect of each transaction on the assets, liabilities and owner's equity of the business.

The first item has been completed as an example. [6

	Transaction	**Effect on**		
		Assets ($)	**Liabilities ($)**	**Equity ($)**
E.g.	*Paige, the owner, invested additional $30 000 cash into her business.*	*+ 30 000* *Cash in hand*	*No effect*	*+ 30 000* *Capital*
(i)	Paige, the owner, withdrew $400 worth of goods to be used as samples to promote for more business sales.			

5. ANALYTICAL

You are required to analyse data.

3 The following information is extracted from the financial statements of Chic Pte Limited as at 31 March 2024 and 2025.

	31 March 2024	31 March 2025
Assets	$	$
Office equipment	12 900	2 500
Net trade receivables	18 630	17 730
Inventory	18 600	12 400
Cash at bank	-	3 630
Liabilities		
Long-term borrowings	25 000	20 000
Current portion of long-term borrowings	5 000	5 000
Trade payables	15 900	7 600
Bank overdraft	1 500	-
Current ratio	1.67	?
Quick ratio	0.83	?

REQUIRED

(a) Calculate the following ratios for Chic Pte Limited for the year ended 31 March 2025. Give your answers correct to **two** decimal places.

(b) Comment on the liquidity position of the business over the two years. [5]

6. ABLE TO EXPRESS YOUR VIEWS

You are required to explain your views clearly.

Owing to the changing preferences of her customers, Sophia is considering to buy 20 units of tablets to sell to her customers. She gathered the following information.

	Model ABC	**Model XYZ**
Cost price	$500 per unit	$300 per unit
Delivery fees	$30 per 20 units	$50 per 20 units
Battery life	Battery lasts up to 9 hours surfing the web or watching videos.	Battery lasts up to 5 hours surfing the web or watching videos.
Weight per tablet	641g	350g
Colours available	Black, grey, pink, green, blue	Black and grey
Display	13-inch high definition (HD) screen	8.5-inch high definition (HD) screen. Able to adjust screen brightness to suit room lighting
Other functions	Super-fast downloads and high-quality streaming. Tablet comes with both WiFi and cellular functions	Tablet comes only with WiFi functions
Customers' review	"Works as good as my laptop. I bring it around for my work meetings and it could last me a whole day at work."	"Great value for money. I like that it's smaller in size and convenient for me to bring around."

Sophia has also discovered the following customer preferences in her research:

- Customers have different colour preferences.
- Customers prefer a tablet which serves both work and leisure purposes.
- Customers with young kids prefer tablets with adjustable brightness levels as it helps to protect their kids' eyes.

REQUIRED

(f) Advise Sophia which tablet should her business choose to buy. Justify your recommendation with **three** reasons. [7]

7. ORGANISED & METHODOLOGICAL

There are formats to follow.

You are required to prepare financial reports.

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nary Examination 2024
press / 5 Normal Academic / G3

) Class: _______

7087

(CA) prepaid wages and salaries 1500
CL ~~(CA)~~ service fee revenue 500
e Dep^n of office equipment 8000
e Dep^n of Motor vehicle 16650
e impairment loss on TR (674)
CL ~~x~~ Dividends payable (2000)
e interest exp 500
CL int payable 800

sists of 2 printed pages.

4 m.
1 Jan → 30 Apr

Data for Question 1

The following balances were extracted from the books of Good Vibes Pte Ltd on 30 April 2024.

retained earnings (RE + profit − Div)
50200 + (?) − 2000

	$	
Share capital, 40 000 ordinary shares	40 000	
Retained earnings	50 200	
5% bank loan (NCL)	30 000	
Service fee revenue	−500 69 100	~~+~~ +500
Office equipment	40 000	
Motor vehicles	128 000	
Accumulated depreciation:		
Office equipment	10 000	+8000
Motor vehicles	17 000	+16650
e Wages and salaries	37 030	−1500
I Commission income	3 600	
CA Trade receivables	18 800	
CL Trade payables	12 500	
CA Cash at bank (debit balance)	6 400	
Allowance for impairment of trade receivables (+674)	~~830~~	now (1504)
(e) Loss on sale of non-current assets	3 000	

Additional information on 30 April 2024

1 Wages and salaries of $1 500 were prepaid and service fee revenue of $500 was received in advance.) prepaid

2 The bank loan was obtained on 1 January 2024. Interest on the bank loan for the year ended 30 April ~~2023~~ 2024 had not yet been paid. 4 months

Int = 30k × 5% × 4/12
int exp = $500

3 Office equipment is to be depreciated at 20% per annum using straight-line method. (40 000 − 0) × 20%

4 Motor vehicles are to be depreciated at 15% per annum using the reducing balance method. (128 000 − 17 000) × 15%

5 The allowance for impairment of trade receivables is to be maintained at 8% of trade receivables.

add + imp loss 674

6 Dividend of $0.05 per share was declared on 1 April 2024. The dividends will be paid on 1 June 2024.

2

Data for Question 1

The following balances were extracted from the books of Good Vibes Pte Ltd on 30 April 2024.

	$
Eq Share capital, 40 000 ordinary shares	40 000
Eq Retained earnings	50 200
NCL 5% bank loan	30 000
✓ Service fee revenue	69 100 − 500
NCA Office equipment	40 000
NCA Motor vehicles	128 000
Accumulated depreciation:	
Office equipment	10 000 + 8000
Motor vehicles	17 000 + 16650
E Wages and salaries	37 030 − 1500
I Commission income	3 600
CA Trade receivables	18 800
CL Trade payables	12 500
CA Cash at bank (debit balance)	6 400
Allowance for impairment of trade receivables	830 ~~+6~~ +674
E Loss on sale of non-current assets	3 000

Additional information on 30 April 2024

✓ 1 Wages and salaries of $1 500 were prepaid and service fee revenue of $500 was received in advance.

✓ 2 The bank loan was obtained on 1 January 2024. Interest on the bank loan for the year ended 30 April 2023 had not yet been paid. ~~6%~~ 5% × 30000 = 1500   1500/12 × 4 = 500

✓ 3 Office equipment is to be depreciated at 20% per annum using straight-line method.
20% × 40000 = $8000

✓ 4 Motor vehicles are to be depreciated at 15% per annum using the reducing balance method.
15% × (128000 − 17000) = $16650

✓ 5 The allowance for impairment of trade receivables is to be maintained at 8% of trade receivables. 8% × 18800 = $1504   1504 − 830 = 674

6 Dividend of $0.05 per share was declared on 1 April 2024. The dividends will be paid on 1 June 2024. 0.05 × 40000 = $2000

CA	Prepaid wages and salaries exp	1500
CL	Service fee revenue received in adv	500
E	Int exp	500
CL	Int exp payable	500
E	Dep exp of OE	8000
E	Dep exp of MV	16650
E	Imp loss on TR	674
Eq	Dividends	2000
CL	Dividend payable	2000

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

Good Vibes Pte Ltd
Statement of financial position as at 30 April 2024

	$	$	$
Assets			
Non-Current assets	Cost	Accumulated Depreciation	Net book value
Office equipment	40000	18000	22000
Motor vehicles	128000	33650	94350
			116350
Current assets			
Trade receivables	18800		
Allowance for impairment on trade receivables	1504	17296	
Cash at bank		6400	
Prepaid wages and salaries (+1500)		1500	25196
Total assets			141546
Equity and liabilities			
Shareholder's equity			
Share capital, 40000 ordinary shares		40000	
Retained earnings(50200+7846-2000)		56046	96046
Non-current liabilities			
Long-Term-Borrowings			30000
Current liabilities			
Trade payables		12500	

	$	$	$
	Cost	Accumulated Depreciation	Net book value
Service fee revenue received in advance (+500)		500	
Interest expense payable (+500)		500	
Dividend payable (+2000)		2000	15500
Total equity and liabilities			141546

[12]

[Total: 20]

THANK YOU