

### Question 1

Eng Sing Furnishing Pte Ltd is an interior renovation contractor. The owner employs temp account assistant to keep the company records for the year. You have been engaged to finalize the year-end income for income tax for the year ended 31 Dec 2006. The prevailing income tax rate is 20%.

<b>Account Title</b>	<b>\$</b>
Cash	51,490
Account receivable	10,560
Supplies	1,090
Prepaid insurance	2,600
Furniture & Fittings	21,630
Accumulated depreciation (F&L)	8,220
Account payable	8,040
Long Term Loan	30,000
Note payable, short term	12,000
Unearned revenue	1,840
Paid-up capital	250,000
Premise, at cost	190,000
Motor Vehicle, at cost	60,000
Accumulated depreciation (MV)	5,500
Retained earnings	4,610
Revenue	72,890
Depreciation expense	5,500
Utilities expense	3,960
Salary expense	32,660
Rent expense	9,200
Interest expense	880
Medical Expense	750
Transport Expense	1,100
Telephone Expense	980
Sales discount	700

### **Additional Information**

You further discover the following additional information.

- (1) On 3 Aug, Eng Sing completed a work amounting to \$830 for a customer. The temp account assistant forgot to record it and bill the customer.
- (2) On 6 Oct, \$310 worth of supplies was used up by the workers to finish a job. The foreman did not inform the temp assistant and it was not recorded in the account.
- (3) The fire insurance of \$2,400 to cover his premise for one year was bought on 1<sup>st</sup> Oct. 2006. The company only recorded the purchase. No other entries have been made since then.
- (4) The accumulated depreciation for the furniture and fitting on 31 Dec would be \$1,140.
- (5) On 21<sup>st</sup> Nov Eng Sing's supplier sold the company \$4,000 worth of goods on credit.
- (6) Wages for overtime of \$960 was not provided in the account.
- (7) Interest due on short term note payable on 31 Dec 2006 is \$480.
- (8) Invoices totaling \$3,300 relating to Utilities were unpaid as at 31 Dec 2006
- (9) On 11 Sept 2006, a customer paid a deposit of \$680 for his job. Work will only start in Jan 2007.

### **REQUIRED:**

- (a) Prepare journal entries for the above transactions. **(20 marks)**
- (b) Prepare an adjusted trial balance. **(10 marks)**
- (c) Prepare a clearly presented Profit and Loss Statement **(20 marks)**
- (d) Prepare the final Balance Sheet **(15 marks)**

**Question 2**

There is a view that historical cost accounting is not able to truly represent the affair of the business entity it is reporting. Explain what is historical cost accounting and the possible reasons for such a view.

(20 marks)

**Question 3**

Explain, with suitable examples, what is meant by an "immaterial item".

(15marks)

**End of TMA 1**