The first thing you want to check before you go through any adjustments is to see if the knives are really out of position. You will need to remove the needle plate to look. They should look like the photo below with the moving knife protruding out from the fixed knife about 1mm.

If you find that this is not the case with your machine than you will need to adjust the knives. First you will want to check and adjust, if necessary, the fixed knife. The fixed knife should be pushed all the to the back of the machine so that the screw that attaches it to the machine is against the front of the slot in the fixed knife and the right hand side of the fixed knife is against the positioning pin as illustrated by the picture below. If it is not then loosen the attaching screw and make the necessary adjustments.
After you have checked and adjusted, if necessary, the fixed knife. Now we can check the moving knife. The tip of the moving knife should protrude past the edge of the fixed knife 1 mm as illustrated by the photo below.

If you find the moving knife needs to be adjusted. You will need to remove the arm cover by removing the 6 screws as indicated in the photo below.
Once you have the cover removed you will be able to access the adjustment screws for the moving knife. Loosen the screws as indicated in the photo below and move the moving knife with your fingers until you get it 1 mm from the edge of the fixed knife. Re-tighten your adjustment screws and press the thread-trimming button on the machine and re-check the adjustment. You may have to do this more than once to achieve the correct position.

Re-install the arm cover and the needle plate and your finished.

If you find that the machine will still not cut the thread cleanly, you might want to add two knife shims underneath the moving knife. If that doesn’t work then you will probably need to change both of the knives.