

Candidate Name _____

Class Register Number

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**PEIRCE SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2022
SECONDARY 4 EXPRESS**

Principles of Accounts

7087/01

Paper 1

**25 August 2022
1 hour**

INSTRUCTIONS TO CANDIDATES

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 pencil for rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

The use of an approved calculator is allowed.

Answer **all** questions on the question paper.

The businesses described in this question paper are fictitious.

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

PARENT'S SIGNATURE

/40

This document consists of 7 printed pages and 1 blank page.

Final Copy by Ms Jasmine Yap

[Turn over]

- 1 Samantha intends to start a business to sell homemade cupcakes. She is not trained in accounting and requires an explanation of the following financial terms.

REQUIRED

- (a) Explain **one** professional ethic an accountant must have to fulfil the stewardship role of accounting.

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..... [2]

- (b) State **one** purpose of using source documents. Support your answer with an appropriate accounting theory.

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..... [2]

- (c) Indicate the basic accounting equation.

..... [1]

- (d) State **two** purposes of preparing a trial balance.

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..... [2]

- (e) State **two** causes of depreciation.

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..... [2]

[Total: 9]

2 Dynamics Durians provided the following information.

	1 July 2021
	\$
Prepaid utilities	1 080

Additional information:

1. The business paid \$500 for utilities by cheque during the year.
2. The annual utilities amounted to \$1 630.

REQUIRED

- (a) Explain how a business should account for its cost and other expenses using **one** accounting theory.

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..... [2]

- (b) Prepare journal entries to account for utilities for the year ended 30 June 2022 **without** the closing entry. Narrations are **not** required.

General Journal

Date	Particulars	Debit \$	Credit \$

[6]

[Total: 8]

- 3 The cash at bank account of Efficient Wheels Leasing had the following entries.

2022 April		Cheque number	Dr \$	Cr \$	Bal \$
1	Balance b/d				2 480 Dr
5	Sales revenue		5 200		7 680 Dr
8	Alexis	102		170	7 510 Dr
12	Sarah	103	1 000		8 510 Dr
16	Belinda	104		460	8 050 Dr
19	Utilities	105		1 800	6 250 Dr
25	Chris		4 000		10 250 Dr
29	Rent	106		2 400	7 850 Dr
May 1	Balance b/d				7 850 Dr

The business received the bank statement for the month of April on 4 May 2022.

2022		Withdrawals \$	Deposits \$	Balance \$
April 1	Balance b/d			3 960 Cr
3	Cheque 101	1 480		2 480 Cr
6	Deposit		5 200	7 680 Cr
13	Deposit		1 000	8 680 Cr
14	Cheque 102	170		8 510 Cr
18	Standing instruction: Insurance	1 500		7 010 Cr
20	Cheque 103	1 000		6 010 Cr
26	Cheque 104	640		5 370 Cr
27	Cheque 105	1 800		3 570 Cr
29	Credit transfer: Bee		1 600	5 170 Cr
30	Bank charges	200		4 970 Cr

Cheque number 104 was wrongly recorded by the bank as \$640.

REQUIRED

- (a) State **two** purposes of preparing a bank reconciliation.

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- (b) Suggest **two** reasons why a cheque maybe dishonoured.

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(c) Prepare the adjusted cash at bank account for April 2022.

Cash at bank account

Date	Particulars	Dr \$	Cr \$	Balance \$

[5]

(d) Prepare the bank reconciliation statement as at 30 April 2022.

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..... [5]

[Total: 14]

- 4 Bling Bling Rocks started business on 1 April 2020. The following information was provided by the business.

	31 March 2021	31 March 2022
	\$	\$
Trade receivables	36 890	17 420

Additional information:

1. The business provides an allowance for impairment of trade receivables based on 10% of the trade receivables balance at the end of each financial year.
2. There were no debts written off for both financial years ended 31 March 2021 and 2022.

REQUIRED

- (a) Prepare the journal entries to adjust the balance of allowance for impairment of trade receivables for the years ended 31 March 2021 and 2022. Narrations are **not** required.

General Journal

Date	Particulars	Dr \$	Cr \$

[4]

The business has the following credit policy:

1. Credit limit is \$80 000.
2. Credit period is 40 days.
3. Cash discount of 2% is given if payment is made within 30 days.

Recently, Sparkling Stones, from ABC country, wants to buy gemstones from Bling Bling Rocks on credit. The latter did some research and found the following:

1. ABC country is a developing country. Its economic growth varies with the global economic environment. In ABC country, the average credit period is around 50 days.
2. Rare gemstones are a form of status in ABC country and is a luxury item which only the wealthy could afford.
3. Sparkling Stones is popular in ABC country. Its sales revenue averages \$500 000 per annum.
4. Sparkling Stones has been in operation for the past 10 years and has a good reputation amongst its suppliers for prompt payment.

REQUIRED

(b) Advise Bling Bling Rocks if the business should sell on credit to Sparkling Stones. Support your answer with **two** reasons.

Advice:

Reasons:

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..... [5]

[Total: 9]

END OF PAPER

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