

Calculator Model:
(if applicable)



Paya Lebar Methodist Girls' School (Secondary)
Preliminary Examination 2022
Secondary 4 Express / 5 Normal (Academic)

Name: _____ ()

Class: _____

Centre
Number

S

Index
Number

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

26 August 2022

Candidates answer on the Question Paper.

1 hour

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your centre number, name, index number and class in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use paper clips, glue or correction fluid.

The use of an approved calculator is allowed.

Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

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

For Examiner's Use

40

PLEASE TURN OVER FOR QUESTION 1

- Inventory turnover rates for two years for Glenys Shoes Pte Ltd and Didier Solescape Pte Ltd, a similar business, are shown below.

Glenys Shoes Pte Ltd		Didier Solescape Pte Ltd	
2021	2022	2021	2022
21.15 times	27.4 times	40.6 times	41.7 times

(a) Discuss the rate of inventory turnover for **both** businesses for **both** years.

..... [4]

- (b)** Suggest **one** way in which Glenys Shoes Pte Ltd could improve its rate of inventory turnover.

..... [1]

[Turn over

- 2 Mitra Runway Pte Ltd is a clothing retailer. The following is an extract from the company's statement of financial position as at 30 June 2021.

	\$
Share capital, 40 000 ordinary shares	60 000
Retained earnings	35 000

REQUIRED

- (a) State the meaning of:

- (i) Retained earnings

.....
 [1]

- (ii) Dividends

.....
 [1]

- (b) State **three** reasons why the shareholders' equity in a private limited company may be different at the end of the financial year from that at the beginning.

1

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 [3]

On 30 April 2022, Mitra Runway Pte Ltd issued a further 10 000 shares at \$0.30 each. Mitra Runway Pte Ltd made a profit for the year ended 30 June 2022 of \$15 000 and declared a dividend of \$0.02 per share.

REQUIRED

- (d)** Prepare the journal entry to record the issue of shares on 30 April 2022. A narration is required.

[3]

- (e)** Prepare the retained earnings account for the year ended 30 June 2022. Bring down the balance on 1 July 2022.

[4]

[Total: 12]

[Turn over

3 The financial year of Joy Unity's business ends on 31 May.

The business maintains an allowance for impairment of trade receivables at 15% of the trade receivables balance at the end of every financial year.

The following information relates to trade receivables for the years ended 31 May 2020, 2021 and 2022.

	2020	2021	2022
	\$	\$	\$
Trade receivables	607 500	542 500	690 000

There were no uncollectible debts or trade receivables reported bankrupt during the financial year ended 31 May 2020.

On 1 June 2020, Lin Jie Watsons, which owed \$30 000, ceased business. A cheque of \$29 625 was received and the remaining amount was written off.

On 30 April 2022, Charlotte Guardian confirmed that it was ending its business and could only pay Joy Unity 30 cents for every dollar of its outstanding debt of \$37 500. On the same day, a cheque was received from Charlotte Guardian.

REQUIRED

(a) Define the following terms:

(i) Trade receivables

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..... [2]

(ii) Allowance for impairment of trade receivables

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..... [2]

(b) Name **one** accounting theory applied when recording an impairment loss on trade receivables.

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- (c) Prepare the journal entries to record the transaction on 30 April 2022. Narrations are **not** required.

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- (d) Prepare the journal entries to adjust the balance for allowance for impairment of trade receivables for the years ended 31 May 2021 and 2022.

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..... [4]

- (e) Explain the effect of adjusting the allowance for impairment of trade receivables on profit for the year ended 31 May 2022.

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..... [2]

[Total: 14]

PLEASE TURN OVER FOR QUESTION 4

- 4 Sandra runs a trading business with a financial year end of 31 December. She has provided the following information about a 5-year bank loan.

Bank loan account

Date	Particulars	Debit	Credit	Balance
2020		\$	\$	\$
July 1	Cash at bank		200 000	200 000 Cr
2021				
Jan 1	Balance b/d			200 000 Cr
June 30	Cash at bank	40 000		160 000 Cr
2022				
Jan 1	Balance b/d			160 000 Cr

Interest expense account

Date	Particulars	Debit	Credit	Balance
2020		\$	\$	\$
Dec 31	Interest expense payable	6 000		6 000 Dr
	Income summary		6 000	-
2021				
Jan 1	Interest expense payable		6 000	6 000 Cr
June 30	Cash at bank	12 000		6 000 Dr
Dec 31	Interest expense payable	4 800		10 800 Dr
	Income summary		10 800	-

REQUIRED

- (a) Define bank loan.

.....
 [1]

- (b) Interpret the entries in the bank loan account on:

(i) 1 July 2020

 [1]

(ii) 30 June 2021

 [1]

- (c) Prepare an extract of the statement of financial performance for the year ended 31 December 2021 to show the expenses section.

Extract of Statement of Financial Performance for the year ended 31 December 2021

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..... [1]

- (d) Prepare an extract of the statement of financial position as at 31 December 2021 to show the liabilities section.

Extract of Statement of Financial Position as at 31 December 2021

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..... [3]

- (e) Name and explain the accounting theory applied by a business when accounting for interest expense incurred but not yet paid.

Name:

Explanation:

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..... [2]

[Total: 9]

End of Paper

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