

Name: ()

Class: 5A

Queenstown Secondary School



Preliminary Examination 2022 Secondary Five Normal (Academic) Principles of Accounts Paper 1 7087/01

26 August 2022
Friday

Time: 1040 – 1140
Duration: 1 hour

Setter: Mdm Farhati Ahmad

Candidate answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
You may use an HB pencil for rough working.
Do not use staples, paper clips, glue or correction fluid.
The use of approved calculator is allowed.

Answer **all** questions.

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

For Examiner's Use	
Q1	/10
Q2	/10
Q3	/10
Q4	/10
TOTAL	/40

This document consists of **4** questions and **9** printed pages.

[Turn over

- 1 Wanda runs Scarlet Witch Bakery. She rents a shop to expand her business. Her business has a financial year end of 31 March. The following information has been provided.

Rent expense account

Date	Particulars	Debit \$	Credit \$	Balance \$
2021				
Apr 1	Rent expense payable		600	600 Cr
2022				
Jan 31	Cash at bank	30 500		29 900 Dr
Mar 31	Prepaid rent expense		5 900	24 000 Dr
31	Income summary		24 000	

REQUIRED

- (a) Interpret the entries on the following dates.

- (i) 1 April 2021

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[1]

- (ii) 31 March 2022

.....

[2]

On 1 April 2021, Scarlet Witch Bakery has \$800 of commission received in advance.

During the year ended 31 March 2022, the business received cheques amounting to \$4 200 for commission income.

On 31 March 2022, the business still has not received \$1 200 of commission income earned.

REQUIRED

- (b) Calculate the amount of commission income earned for the year ended 31 March 2022. Show your workings clearly.

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[3]

- (c) Prepare journal entries to adjust the commission income for the year ended 31 March 2022. A narration is **not** required.

Journal		
	Debit \$	Credit \$

[2]

- (d) State and explain the accounting theory that is applied when adjusting the commission income for the year ended 31 March 2022.

Name:[1]

Explanation:

.....[1]

[Total:10]

[Turn over

- 2 The following trial balance was extracted from the books of Dr Strange Ltd on 31 July 2022.

	\$
Sales revenue	51 500
Cost of sales	25 600
Motor vehicles	29 700
Bank overdraft	2 900
Share capital	10 000
Trade receivables	8 100
Trade payables	2 400
Commission income	300
Motor vehicle expenses	5 700
Retained earnings	2 000

The following errors were discovered after the trial balance was prepared.

- 1 Payment of \$150 for motor vehicle expenses was charged to motor vehicles.
- 2 Debit note of \$500 issued to a credit customer has not been recorded.
- 3 Commission received of \$540 had been debited to the commission income account and credited to the cash at bank account.

REQUIRED

- (a) Explain the limitations of a trial balance.

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[1]

- (b) Complete the table to show the effect of the errors 1-3 on the profit for the year. Where there is no effect, tick (✓) the 'no effect' column.

The first one has been completed as an example.

	Profit is overstated \$	Profit is understated \$	No effect \$
Error 1	150		
Error 2			
Error 3			

[2]

- (c)** Prepare the adjusted trial balance as at 31 July 2022, after correction of errors.

Trial Balance as at 31 July 2022

	Debit \$	Credit \$

[7]

[Total:10]

[Turn over

- 3 Wong started his retail business, Sorcerer Supreme Gifts. On 1 July 2021, the business bought toys from an overseas supplier on credit. The following costs were incurred on the purchase of his first batch of toys:

	\$
Cost of 30 toys	5 000
Import duties on toys	450
Salaries paid to workers hired to repack the toys	1 500
Expenses paid for marketing the toys	500

REQUIRED

- (a) Calculate the cost of purchases on 1 July 2021. Show all workings clearly.

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[1]

In the month of July 2021, the business also carried out the following cash transactions. The business records inventory movement using the First-In-First-Out (FIFO) method.

<u>Purchases</u>		<u>Sales</u>	
6 July	30 toys at \$5 500	14 July	30 toys for \$8 500
13 July	40 toys at \$6 800	20 July	30 toys for \$8 000

REQUIRED

- (b) Prepare the inventory account for the month ended 31 July 2021 and bring down the balance to the next month.

Inventory account

	Debit \$	Credit \$	Balance \$

[4]

On 30 June 2022, the business discovered that some of the toys were damaged due to humidity. These toys now had a net realisable value of \$5 450. The cost of these toys was \$7 500.

Wong decides to report the inventory value as \$7 500 in the statement of financial position as at 30 June 2022.

REQUIRED

- (c) Evaluate if Wong is making the correct decision. Justify your answer with an accounting theory.

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.....[3]

Karl, Wong's accountant, is afraid that he will be terminated if he does not agree with his employer's decision.

REQUIRED

- (d) Advise Karl on the correct course of action. Support your answer with a professional ethic of accounting.

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.....[2]

[Total:10]

[Turn over

- 4 America Chavez is setting up a business selling designers' bags from Europe. She understands that there are three forms of business ownership. They are sole proprietorship, limited liability partnership and private limited company.

REQUIRED

- (a) Explain **one** difference between limited liability partnership and private limited company.

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[2]

As a sole proprietor, America provided the following information for the year ended 30 April 2022.

		Capital		
		Debit	Credit	Balance
		\$	\$	\$
2021				
May 1	Balance b/d			19 000 Cr
Jul 18	Inventory		14 000	
2022				
Feb 1	Cash in hand		120	
Apr 30	Income summary	11 000		
30	Drawings	2 120		20 000 Cr
May 1	Balance b/d			20 000 Cr

REQUIRED

- (b) Interpret the entries on the following dates.

- (i) 18 July 2021

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[1]

- (ii) 30 April 2022

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[2]

(c) Explain how the owner's equity changed from 1 May 2021 to 30 April 2022.

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.....[3]

As a new business owner, America is not sure of the source documents for some transactions.

REQUIRED

(d) Complete the table by indicating the source document for each of the following transactions.

Transactions	Source document
America overcharged one of her credit customer.	
America sold designers' bags on credit.	

[2]

[Total:10]

END OF PAPER