



West Spring Secondary School PRELIMINARY EXAMINATION 2023

PRINCIPLES OF ACCOUNTS PAPER 2

7086 / 02

Secondary 4 Normal Academic

Name _____ () Date 17 August 2023

Class _____ Duration 2 hours

Additional Materials: Writing paper (5 sheets)

READ THESE INSTRUCTIONS FIRST

Write your name, index number and class on the cover page and on all the work you hand in.

Write in dark blue or black pen on both sides of the paper.

Answer all the questions.

The use of an approved calculator is allowed.

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

/ 60

This document consists of 5 printed pages and 1 blank page.

[Turn over

Answer all questions.

- 1 The following information was extracted from the books of Shree's business at the end of the financial year on 30 April 2023.

	\$
Sales revenue	329 500
Sales returns	28 770
Cost of sales	123 955
Rent income	8 000
Discount allowed	245
Wages and salaries	53 600
General expenses	4 350
Inventory	41 100
Office equipment at cost	48 000
Accumulated depreciation of office equipment	9 120
Fixtures and fittings at cost	12 000
Accumulated depreciation of fixtures and fittings	7 200
Cash at bank	18 295
Trade receivables	17 600
Trade payables	9 595
Capital at 1 May 2022	40 000
Drawings	55 500

Additional information on 30 April 2023

- 1 Rent income, \$1 000, had not been received.
- 2 General expenses, \$650, were owing.
- 3 The allowance for impairment of trade receivables is to be maintained at 5% of trade receivables.
- 4 Office equipment is to be depreciated at 10% per annum using the reducing-balance method.
- 5 Fixtures and fittings are to be depreciated at 20% per annum using the straight-line method.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 April 2023. [8]
- b) Prepare the statement of financial position as at 30 April 2023. [12]

[Total: 20]

- 2 The financial year of Kim's business ends on 31 December. The following information is provided.

	1 January 2023	31 December 2023
	\$	\$
Utilities payable	20	
Prepaid utilities		70

Details from the cash at bank account for the month of July 2023 are as follows:

		Cash at bank account		
Date		Debit	Credit	Balance
2023		\$	\$	\$
Jul 1	Balance b/d			5 000 Dr
8	Trade receivable Jay	500		5 500 Dr
15	Inventory		8 000	2 500 Cr
31	Sales revenue	2 000		500 Cr

		Cash in hand account		
Date		Debit	Credit	Balance
2023		\$	\$	\$
Jul 1	Balance b/d			300 Dr
5	Utilities		150	150 Dr
18	Cash at bank	120		270 Dr
31	Stationery		30	240 Dr

REQUIRED

- (a) Interpret the entries on the following dates:
 - (i) 15 July 2023 [1]
 - (ii) 18 July 2023 [1]
- (b) Name the section of the statement of financial position in which the business would record cash at bank at 31 July 2023. [1]
- (c) State **two** factors Kim can consider when deciding which inventory to buy. [2]
- (d) Calculate the amount to be recorded on the statement of financial performance for the year ended 31 December 2023 for utilities expenses, assuming 5 July 2023 was the only payment made for utilities during the year. [4]
- (e) State **two** types of internal controls over cash. [2]
- (f) Name the accounting theory that Kim is applying by preparing the financial statements on the basis that her business will continue to operate indefinitely. [1]

[Total: 12]

[Turn over]

- 3 Jane has extracted the following balances from the ledger accounts of her business as at 30 June 2023.

	\$
Drawings	480
Capital	10 000
Motor vehicles	20 000
Accumulated depreciation of motor vehicles	4 000
Cash in hand	280
Cash at bank (overdrawn)	1 230
Sales revenue	56 545
Sales returns	15 330
Cost of sales	21 100
Inventory	17 210
Trade receivables	3 295
Trade payables	5 660
Discount allowed	400
Discount received	660

REQUIRED

- (a) State one use of a Trial Balance. [1]
- (b) Prepare the Trial Balance of Jane's business as at 30 June 2023. [7]

After preparation of the business trial balance at 30 June 2023 the following errors were discovered.

- \$500 goods sold on credit to trade receivable Sunny was wrongly recorded in Funny's account.
- Cheque payment for motor vehicles costing \$8 000 was wrongly recorded as \$6 000.
- \$120 cash drawings have been debited to the cash in hand account and credited to the drawings account.

REQUIRED

- (c) Describe one error not revealed by the Trial Balance. [1]
- (d) Prepare journal entries to correct the errors in each of 1, 2 and 3. Narrations are not required. [6]

[Total: 15]

- 4 Vera buys musical boxes from a local supplier Paul on credit.

The following information was provided for her business with Paul for the month of July 2023.

July	1	Vera owed Paul \$1 200.
	12	Bought musical boxes, list price \$500 with 10% trade discount.
	14	Returned musical boxes bought on 12 July, list price \$100.
	25	Paid amount owing on 1 July by cheque, taking a cash discount of 2%.

REQUIRED

- (a) State **one** reason why a supplier would offer a trade discount. [1]
- (b) State the name of the account in which a business would record the cash discount given by its suppliers. [1]
- (c) Prepare the trade payable account for Paul in the books of Vera for the month of July 2023. Bring down the balance on 1 August 2023. [6]

Vera wishes to expand her range of musical boxes. She plans to purchase 100 units per order. The following information relates to two potential overseas suppliers that the business had shortlisted.

	Jack	Ron
Cost of musical boxes	\$18 each	\$20 each
Shipping fee	\$500 flat fee per shipment	Free for order at least 100 units
Credit term	30 days credit	21 days credit
Returns or exchange policy	returns or exchange can be made within 6 months	returns or exchange can be made within 12 months
Availability	delivery in 5 weeks	delivery in 1 week
Reputation of business	has been operating for 10 years	has been operating for 6 months
Customer feedback	95% positive reviews	No feedback available yet

REQUIRED

- (d) Which supplier should Vera buy from? Justify your decision with **two** reasons. [5]

[Total: 13]

