



MANJUSRI SECONDARY SCHOOL

文殊中學

2024 PRELIMINARY EXAMINATION

Name

Class

Index
Number

PRINCIPLES OF ACCOUNTS

Secondary Four Express / Five Normal (Academic)

Paper 1

7087/01

26 August 2024

1 hour

Candidates answer on the Question Paper.

READ THESE INSTRUCTIONS FIRST

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

Write in dark blue or black pen.

Do not use staples, 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	
Q1	/11
Q2	/10
Q3	/ 8
Q4	/11
Total	/40

Parent's / Guardian's Signature:

This document consists of **10** printed pages and **2** blank pages.

[Turn over

Answer **all** questions.

- 1 Dillon operates an advertising business. His business makes an average annual profit of over \$300 000. He decides that his business should treat purchases of office equipment costing less than \$500 as revenue expenditure.

REQUIRED

- (a) Name and explain the accounting theory applied when recording purchases of non-current assets of low value as revenue expenditure.

Name [1]

Explanation

.....

.....

.....

.....

..... [2]

- (b) State **one** difference between capital and revenue expenditure.

.....

.....

.....

.....

..... [2]

Dillon's business bought a new equipment from Japan and trained staff to operate it.

REQUIRED

- (c) Complete the following table by inserting a tick (✓) to show whether **each** item of expenditure relating to the new equipment should be treated as capital or revenue expenditure. The first item has been completed as an example.

	Capital expenditure	Revenue expenditure
Installation cost	✓	
Staff training		
Shipping cost from Japan to Singapore		

[2]

During the financial year ended 31 May 2024, Dillon extended his office premises at a cost of \$38 800, which included \$3 000 for repairs to his existing office premises. The full amount of \$38 800 was recorded in the statement of financial performance.

- (d) State the effect and amount of including the full cost of \$38 800 on the business.

- (i) Profit for the year ended 31 May 2024

..... [2]

- (ii) Non-current assets on 31 May 2024

..... [2]

[Total: 11]

[Turn over

- 2** Naraen started a healthcare business, Naraen Wellness. On 1 April 2022, the business took a 5-year loan of \$100 000 at 5% per annum to purchase equipment and furniture. The partial principal sum repayment and the interest payment are to be made every 31 March. The financial year of Naraen Wellness ends on 31 December.

REQUIRED

- (a)** Prepare the bank loan account for the years ended 31 December 2022 and 2023.

Bank loan account				
Date	Particulars	Debit \$	Credit \$	Balance \$

[3]

- (b)** Prepare an extract of the statement of financial performance for the year ended 31 December 2022.

Naraen Wellness
Extract of Statement of Financial Performance for the year ended 31 December 2022

.....
.....
.....

[1]

- (c) Prepare an extract of the statement of financial position as at 31 December 2022.

Naraen Wellness
Extract of Statement of Financial Position as at 31 December 2022

.....

.....

.....

.....

.....

[3]

- (d) Name one stakeholder who would be interested in how a company borrows funds.
Give a reason for your answer.

Stakeholder [1]

Reason

..... [2]

[Total: 10]

[Turn over

- 3 Tanisha Trading is a supplier of electronic equipment. It is evaluating whether to grant credit to two customers, Yi Electronics and Fan Enterprise. The following information was extracted from the statement of financial position of the two businesses of the same industry as at 31 March 2024.

	Yi Electronics	Fan Enterprise
	\$	\$
Current ratio	2.52	1.71
Quick ratio	1.62	0.82

REQUIRED

- (a) Explain the importance of being liquid.

.....

.....

.....

.....

.....

..... [2]

- (b) Compare and comment on the liquidity of the two businesses.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [3]

- (c) Should Tanisha Trading grant credit to both businesses? Support your answer with reasons.

.....

.....

.....

.....

.....

.....

..... [2]

- (d) State **one** way to improve a business' liquidity.

.....

..... [1]

[Total: 8]

[Turn over

- 4 Affan owns a shoe shop. He provided the following information from the business bank statement and cash at bank account for the month of June 2024.

		Cash at bank account			
Date	Particulars	Cheque Number	Debit (\$)	Credit (\$)	Balance (\$)
2024					
Jun 1	Balance b/d				9 200 Dr
8	Fixtures and fittings	3130		2 600	6 600 Dr
12	Sales revenue		3 150		9 750 Dr
14	Insurance	3131		2 000	7 750 Dr
17	Utilities	3132		552	7 198 Dr
21	Stanley		1 130		8 328 Dr
25	Daryl	3133		500	7 828 Dr
30	Amber		1 560		9 388 Dr
Jul 1	Balance b/d				9 388 Dr

On 3 July 2024, Affan received the following bank statement from the bank.

		Bank Statement		
Date	Particulars	Withdrawal (\$)	Deposit (\$)	Balance (\$)
2024				
Jun 1	Balance b/d			11 300 Cr
5	Cheque 3129	2 100		9 200 Cr
12	Cash		3 150	12 350 Cr
15	Cheque 3130	2 600		9 750 Cr
18	Credit transfer: Bo Sen		965	10 715 Cr
19	Cheque 3131	2 000		8 715 Cr
25	Cheque deposit		1 130	9 845 Cr
26	Cheque 3132	525		9 320 Cr
30	Bank charges	60		9 260 Cr

Additional information

It was discovered that the business had recorded cheque number 3132 incorrectly in its books.

REQUIRED

- (a) Prepare the adjusted cash at bank account for the month of June 2024.

Cash at bank account

.....

.....

.....

.....

.....

.....

..... [3]

- (b) Prepare a bank reconciliation statement as at 30 June 2024.

Bank Reconciliation Statement as at 30 June 2024

.....

.....

.....

.....

.....

.....

..... [4]

- (c) State the effect of bank reconciliation adjustments on profit for the month ended 30 June 2024.

..... [2]

[Turn over

(d) State **two** reasons for preparing a bank reconciliation statement.

.....

.....

.....

.....

.....[2]

[Total: 11]

BLANK PAGE

BLANK PAGE