



DAMAI SECONDARY SCHOOL

Preliminary Examination 2022

CANDIDATE NAME

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CLASS

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INDEX NUMBER

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PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

25 August 2022

Secondary 4 Express / 5 Normal (Academic)

1 hour

Setter: Miss Cristy Lin

40 Marks

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your index number, name 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 staples, paper clips, glue or correction fluid.
DO NOT WRITE ON ANY BARCODES.

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.

Answer **all** questions

- 1 Osmond runs a textile business with a financial year end of 31 March. He has provided the following information about the business' motor vehicles.

Motor vehicles account

Date	Particulars	Debit	Credit	Balance
2019		\$	\$	\$
Apr 1	Balance b/d			80 000 Dr
2020				
Jan 1	Trade payable – Ozark Motors	45 000		125 000 Dr
2020				
Apr 1	Balance b/d			125 000 Dr

Accumulated depreciation – motor vehicles account

Date	Particulars	Debit	Credit	Balance
2019		\$	\$	\$
Apr 1	Balance b/d			16 000 Cr
2020				
Mar 31	Depreciation of motor vehicles		?	

REQUIRED

- (a) Interpret the entry on 1 January 2020 in the motor vehicles account.

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.....

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[1]

- (b) Calculate the depreciation expense for the year ended 31 March 2020 given that the business provides depreciation at a rate of 20% per annum on net book value.

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.....

.....

[3]

On 18 March 2020, Osmond purchased cutting equipment from Cutty Trading and incurred the following amounts.

	\$	Payment by
Cost of cutting equipment	23 000	On credit
Delivery fee to transport cutting equipment	300	Cheque
Installation of cutting equipment	200	Cheque
Electricity to run cutting equipment	700	Bank transfer
Replacement of faulty screws on the cutting equipment	20	Cash

REQUIRED

- (c) Prepare the equipment account for the month of March 2020 to record the purchase on 18 March 2020.

This is the business' first equipment purchase.

Equipment account				
Date	Particulars	Debit \$	Credit \$	Balance \$

[3]

[Total: 7]

- 2** Nadine sells shoes. She has provided the following information relating to her business for the year ended 31 March 2022.

	\$
Premises	132 300
Trade payables	11 000
Inventory	23 450
Capital	144 610
Sales revenue	46 000
Loan to employee	8 000
Cost of sales	7 300
Cash at bank (overdraft)	5 000
Drawings	360
General expenses	2 200
Trade receivables	?

REQUIRED

- (a)** Use the expanded accounting equation to calculate trade receivables.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

[Total: 15]

- 3** Sue owns a medical supplies business. She discovered the following errors in the business' financial statements for the year ended 31 December 2021.

- 1 A credit sale, \$5 000, to Shanice had been posted to the account of Shernice.
- 2 Equipment repairs of \$300 were posted to the equipment account.

REQUIRED

- (a)** Prepare the journal entries to correct errors 1 and 2.

		Debit \$	Credit \$
Error 1			
Error 2			

[4]

- (b)** Complete the following table by placing a tick (✓) to show the effect of errors 1 and 2 on the profit before correction.

	Overstated	Understated	No effect
Error 1			
Error 2			

[2]

- (c)** For each of the following transaction, identify the source document used to record the information.

	Transaction	Source Document
(i)	Sold medical supplies on credit.	
(ii)	Sue informed Tom, a credit customer, that he has been undercharged.	
(iii)	Received cash for medical supplies sold.	
(iv)	Purchased a printer on credit.	

[2]

- (d)** Use an accounting theory to explain the importance of source documents.

[2]

[Total: 10]

- 4 Ralph is a credit customer of Lauren. Ralph is entitled to a trade discount of 10% on all purchases and a cash discount of 5% if invoices are fully paid within 7 days.

On 1 January 2021, the balance owed by Ralph is \$10 670.

Lauren had the following transactions during January 2021.

January 9 Ralph purchased goods with a list price of \$5 000. The cost of the goods is \$1 000.

13 Ralph fully settled his account by cheque.

REQUIRED

- (a)** Prepare journal entries to record the above transactions in the books of Lauren. Narrations are not required.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

[5]

- (b)** State one reason why Lauren is offering a trade discount to Ralph.

.....

[1]

(c) Explain why Ralph buys goods on credit instead of paying for them immediately.

[1]

(d) Explain the going concern theory.

[1]

[Total: 8]

End of paper