

**JURONG SECONDARY SCHOOL
2022 GRADUATION EXAMINATION 2
SECONDARY 4 EXPRESS
SECONDARY 5 NORMAL ACADEMIC**

CANDIDATE NAME	
---------------------------	--

CLASS	
--------------	--

INDEX NUMBER	
-------------------------	--

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

17 Aug 2022

1 hour

Candidates answer on the Question Paper.

No Additional materials are required

READ THESE INSTRUCTIONS FIRST

Write your class, index number and name 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 any rough working.

Do not use staples, paper clips, glue or correction fluid.

The use of an approved calculator is allowed.

Answer all questions.

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

The total marks for this paper is **40**.

This document consists of **8** printed pages

[Turn over]

Answer **all** questions

1. The trial balance of Alena's business balanced on 31 January 2022. However, the following errors have now been discovered:

- 1 Credit note of \$300 issued to customer Andrea has omitted from the books.
- 2 Payment of modification of computer, worth \$5 500, to enhance its operating capacity has been debited as cash at bank and credited office equipment.
- 3 Repayment of bank loan \$4 000 has been recorded as \$3 000.

REQUIRED

- (a) Prepare the journal entries to correct above errors. Narrations are **not** required.

.....

.....

.....

.....

.....

.....

.....

.....

[6]

- (b) State the effect of error (1) on the profit for the year.

.....

.....

[1]

- (c) State one purpose of credit note and invoice.

credit note	
invoice	

- (d) Explain the purpose of source document with an accounting theory.

.....

.....

[2]

[Total: 11]

2. The following information is obtained from Alvin Gaming Console for the year ended 31 March 2022.

	Units (Gaming console)	Value (\$)
Sales revenue for the year ended 31 March 2022	32	5 760
Inventory as at 31 March 2021	20	2 000
Operating expenses	-	480

Additional information:

- 1 Summary of invoices for gaming console purchases.

Date	Quantity	\$
2021 1 April	5	500
28 June	4	400
31 Dec	3	300
2022 14 Feb	3	300

- 2 Business uses FIFO (First-in-first-out) method of inventory valuation.

REQUIRED

- (a) Calculate the cost of sales for the year ended 31 March 2022.

.....

.....

..... [3]

- (b) Calculate the profit or loss for the year ended 31 March 2022.

.....

.....

..... [3]

[Turn over]

Profit margin for the year ended 31 March 2021 was 30%.

- (c) Evaluate the profit margin of the business for the 2 years ended 31 March 2021 and 2022. Show your workings clearly and your answer to **two** decimal places.

.....

.....

.....

.....

.....

.....

[3]

- (d) State how inventory is valued on 31 March 2022.

.....

.....

.....

.....

[1]

- (e) Calculate the rate of inventory turnover for the year ended 31 March 2022. Show your answer to **two** decimal places.

.....

.....

.....

[2]

[Total: 12]

3. Shi Yun started a trading business in Jurong Point. The financial year ends on 30 June 2022.

During the year, the following transaction took place.

2021

August 1 Withdrew \$200 cash from the business for office use.

November 21 Contributed personal van for business use, \$10 000

2022

April 1 Took out \$1 000 worth of inventory for personal use

June 30 Loss for the year was \$5 000.

REQUIRED

- (a) Prepare a capital account for the year ended 30 June 2022.

.....

.....

.....

.....

.....

.....

[4]

- (b) State and explain the accounting theory applied by Shi Yun when recording drawings and capital.

.....

.....

.....

[2]

- (c) State the effect of drawings on the profit for the year.

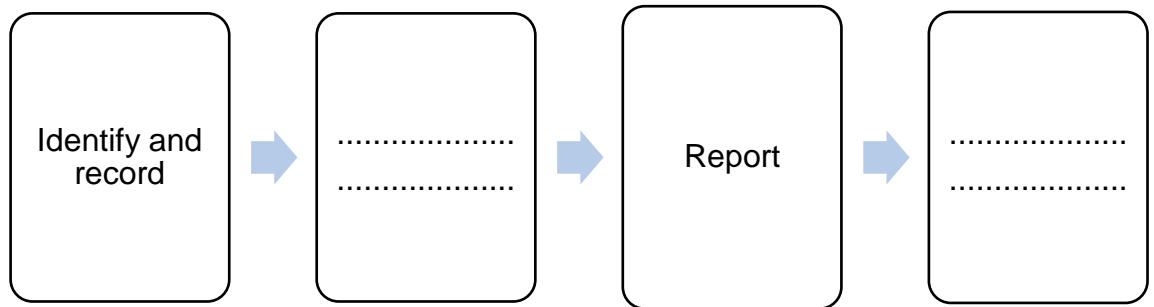
.....

.....

[1]

[Turn over]

- (d)** Record the missing steps in the accounting cycle.



[2]

[Total: 9]

4. Hazirah Event rents out sound and lighting equipment. One of its clients is Mira Music. The following service fee revenue was extracted from the books of Hazirah Event. Its financial year ends 30 April 2022.

Service fee revenue account

Date	Particulars	Debit	Credit	Balance
		\$	\$	\$
2021				
May 1	Service fee revenue receivable	1 000		1 000 Dr
2022				
Jan 1	Cash at bank		30 000	29 000 Cr
Apr 1	Trade receivable: Mira Music		10 000	39 000 Cr

Additional information: Monthly service fee revenue income earned by Hazirah Event was \$3 200.

REQUIRED

- (a) Interpret the entry on 1 May 2021.

.....

.....

.....

[2]

- (b) Explain the adjustments made on 30 April 2022.

.....

.....

.....

[2]

- (c) State and explain the accounting theory behind part (b)

.....

.....

.....

[2]

[Turn over]

- (d)** Explain the effects on profit for the year and current assets if service fee receivable was not adjusted at the beginning of the year.

Profit for the year	
Current assets	

[2]

[Total: 8]**[END OF PAPER]**

Answer

- 1 Credit note of \$300 issued to customer Andrea has omitted from the books.
- 2 Payment of modification of computer, worth \$5 500, to enhance its operating capacity has been debited as cash at bank and credited office equipment.
- 3 Repayment of bank loan \$4 000 has been recorded as \$3 000.

1.

- (a) Prepare the journal entries to correct above errors. Narrations are
- not**
- required.

General Journal

	DR (\$)	CR (\$)
Sales returns	300	
Trade receivable: Andrea		300
Office equipment	11 000	
Cash at bank		11 000
Bank Loan	1 000	
Cash at bank		1 000

[6]

- (b) State the effect of the omission of error (1) on the profit for the year.

Overstate

[1]

- (c) State one purpose of credit note and invoice.

credit note	Returns of damaged goods
invoice	Credit transaction

[2]

- (d) Explain the purpose of source document with an accounting theory.

Source document served as evidence for a business transaction. (1)**According to **objectivity**, accounting records must be supported by verifiable and reliable evidence. (1)**

[2]

[Total: 11]

2. The following information is obtained from Alvin Gaming Console for the year ended 31 March 2022.

	Units (Gaming console)	Value (\$)
Sales revenue for the year ended 31 March 2022	32	5 760
Inventory as at 31 March 2021	20	2 000
Operating expenses	-	480

Additional information:

- 1 Summary of invoices for gaming console purchases.

Date	Quantity	\$
2021 1 April	5	500
28 June	4	400
31 Dec	3	300
2022 14 Feb	3	300

- 2 Business uses FIFO (First-in-first-out) method of inventory valuation.

REQUIRED

- (a) Calculate the cost of sales for the year ended 31 March 2022.
\$2000 (1) + \$500 + \$400 + 300 (2) = \$3200 [3]
- (b) Calculate the profit for the year ended 31 March 2022.
 Net sales revenue – Cost of sales – operating expenses
\$[5760 (1) - \$3200 (1) - \$480 (1) = \$2080 [3]
 Profit margin for the year ended 31 March 2021 was 3%.
- (c) Evaluate the profit margin of the business for the 2 years ended 31 March 2021 and 2022.
2080/ 5760 x 100 = 36.11% (1 – Show working) OF
Profit margin has improved from 30% in 31 March 2021 to 36.11% in 31 March 2022. (1) This could be due to the business's ability to manages its expenses over the 2 years. (1) [3]
- (d) State how inventory is valued on 31 March 2022.
Inventory is valued at lower figure of cost or net realisable value. (1)

[1]

- (e) Calculate the rate of inventory turnover for the year ended 31 March 2022.
 Cost of sales/ Average inventory = 3200 (OF 1) / $\frac{1}{2}$ (2000 + 300) (1) = 2.78 times

[2]

[Total: 12]

3. Shi Yun started a trading business in Jurong Point. The financial year ends on 30 June 2022.

During the year, the following transaction took place.

2021

August 1 Withdrew \$200 cash from the business bank for office use.

November 21 Contributed personal van for business use, \$10 000

2022

April 1 Took out \$1 000 worth of inventory for personal use

June 30 Loss for the year was \$5 000.

REQUIRED

- (a) Prepare a capital account for the year ended 30 June 2022.

Capital

Date	Particulars	Debit	Credit	Balance
2021		\$	\$	\$
Nov 21	Motor Vehicle (1)		10 000	10 000 Cr
2022				
Jun 30	Drawings (1)	1 000		
	Income summary (1)	5 000		
Jul 1	Balance b/d (1)			4 000 Cr

[3]

- (b) State and explain the accounting theory applied by Shi Yun when recording drawings and capital.

Accounting entity theory. (1) Business n owners are two separated entities and only business transactions should be recorded (1)

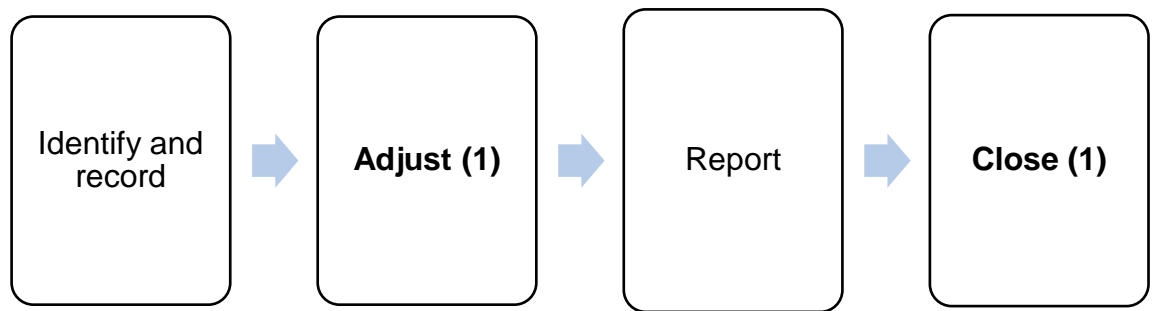
[2]

- (c) State the effect of drawings on the profit for the year.
No effect (1)

[1]

[Turn over]

- (d) Record the missing steps in the accounting cycle.



[2]

[Total: 9]

4. Hazirah Event rents out sound and lighting equipment. One of its clients is Mira Music. The following service fee revenue was extracted from the books of Hazirah Event. Its financial year ends 30 April 2022.

Service fee revenue account

Date	Particulars	Debit	Credit	Balance
		\$	\$	\$
20X1				
May 1	Service fee revenue receivable	1 000		1 000 Dr
20X2				
Jan 1	Cash at bank		30 000	29 000 Cr
Apr 1	Trade receivable: Mira Music		10 000	39 000 Cr
Apr 30	Service fee revenue received in advance	600		38 400 Dr
Apr 30	Income summary	38400		-

Additional information: Monthly service fee revenue income earned by Hazirah Event was \$3 200.

REQUIRED

- (a) Interpret the entry on 1 May 2021.
\$1000 of service has been provided to the customer last financial year (1) and amount would be received this financial year. (1)
 [2]
- (b) Explain the adjustments made on 30 April 2022.
\$600 (1) of service fee revenue was received in advanced. (1)
 [1]
- (c) State and explain the accounting theory behind part (b)
Revenue Recognition, Accrual basis of accounting/ Matching theory (1) + explanation (1)
 [2]
- (d) Explain the effects on profit for the year and current assets if service fee receivable was not adjusted at the beginning of the year.

Profit for the year	Overstated by \$1 000 (1)
Current assets	No effect (1)

[2]

[Total: 8]