



PEICAI SECONDARY SCHOOL
SECONDARY FOUR EXPRESS/FIVE NORMAL ACADEMIC
PRELIMINARY EXAMINATION 2022

CANDIDATE
NAME

CLASS

REGISTER NUMBER

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

25 August 2022

1 hour

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your name, class and register number 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.

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.

1 Chrysler runs a business selling artisan candles. The following information has been provided.

30 June 2020
30 June 2021

30 June 2019
30 June 2020
30 June 2021

(a) Calculate the rate of increase in the number of people aged 16 years and over in 2021. Show your answer to 1 decimal place.

Rate of inventory turnover (times)	

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 (c) Suggest **two** ways in which the business can improve the management of the business.

1.

2.

Chrysler purchases and sells candles on credit only. The business uses the First-In-First-Out (FIFO) method to record its inventory. The following information for the year ended 30 June 2022 is provided:

Inventory on 1 July 2021

Purchases

2021	Number of candles
Jul 17	300
Sep 29	800
2022	
May 11	1 200

Sales

2021	Number of candles
Sep 5	800

REQUIRED

(d) Calculate the cost of sales for the year ended 30 June 2022.

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(e) Calculate the gross profit for the year ended 30 June 2022.

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On 2 July 2022, due to heavy rain, the warehouse was flooded and \$5 000 of the business inventory was soaked in water. Chrysler made an insurance claim and was able to recover 90% of the loss incurred on 15 July 2022. The insurance claim will be paid out in the next month.

REQUIRED

- (f) Prepare the journal entry
A narration is **not** required

Date	

- (g) Prepare the journal entry
A narration is **not** required

Date	



- 2 The financial year of Meomi and Pugs café ends on 31 May.

The following information relates to the business expenses.

	1 June 2021	31 May 2022
	\$	\$
Advertising payable	5 700	8 200

Advertising of \$10 500 was paid by cheque during the year ended 31 May 2022.

REQUIRED

- (a) Name and explain the accounting theory which is applied when accounting for unpaid advertising.

Name

Explanation

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[2]

- (b)

Calculate the amount of advertising expense incurred for the year ended 31 May 2022.

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 [3]

The following rent income account was extracted from the books of Meomi and Pugs café for the year ended 31 May 2022.

Rent income account				
2021	Particulars	Dr (\$)	Cr (\$)	Balance (\$)
Jun 1	Rent income received in advance		5 900	5 900 Cr
Oct 10	Cash at bank		15 000	20 900 Cr
2022				
May 31	Rent income receivable		2 200	23 100 Cr
	Income Summary	23 100		-

REQUIRED

(c) Interpret **each** of the entries on 31 May 2022.

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 [2]

- (d) Explain the revenue recognition theory.

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.....[2]

- (e) Explain the effects on profit for the year and the accounting element in the statement of financial position if the rent income receivable was not adjusted.

Profit

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Accounting element [2]

[Total: 11]

- 3** Shaggy sells goods on credit to Rogers.

Shaggy issues an invoice and a credit note to Rogers.

REQUIRED

- (a) Complete the table to name which ledger accounts **each** business would use to record **each** document.

	Books of Shaggy's business		Books of Rogers's business	
	Account to be debited	Account to be credited	Account to be debited	Account to be credited
Invoice				
Credit note				

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[4]

(b) State the difference between a cash transaction and a credit transaction.

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[2]

Shaggy owns a business selling pet carriers and crate accessories.

The following transactions took place during January 2022.

Jan 14 Paid \$500 cash to a trade supplier.

21 Shaggy withdrew \$10 800 from the business bank account to pay for his holiday expenses.

25 Bank charges of \$125 was charged on the business bank account.

30 Received a cheque \$7 100 from Furballs Café to clear the outstanding amount owed to date. A cash discount of \$150 was given to Furballs Café.

REQUIRED

(c) Complete the following table to show the effects of each transaction on assets, liabilities and owner's equity.

The effects of the first transaction have been completed as an example.

2022	Effects of transactions on		
	Assets (\$)	Liabilities (\$)	Owner's equity (\$)
Jan 14	-500 (Cash in hand)	-500 (Trade payable)	No effect
21			

25			
30			

[7]

[Total: 13]

-----End of the paper-----