CANDIDATE NAME							
CLASS	REGISTER NUMBER						
PRINCIPLE	S OF ACCOUNTS	7087/01					
Paper 1		25 August 2022 1 hour					
Candidates a	nswer on the Question Paper.						
No Additional Materials are required.							
READ THESI	E INSTRUCTIONS FIRST						
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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.

This document consists of 8 printed pages.
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Setter: Mdm Soo Sio Koon

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

Cost of sales for the year ended:

30 June 2020 30 June 2021

Inventory at:

30 June 2019

30 June 2020

30 June 2021

### **REQUIRED**

(a) Calculate the rate of in and 2021. Show your ar

Rate of inventory turnover (times)

(b) Evaluate the managem years ended 30 June 20

(c)	Suggest <b>two</b> ways in v management of the busi								
	1								
	2								
cand busin First- meth inver inforr ende	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:								
Inve	entory on 1 July 2021								
Purcl 20 Jul 1 Sep 2023 May	17 300 29 800 2								
Sales 2021 Number of can Sep 5 800									
REC	REQUIRED								
(d)	Calculate the cost of sale								
(e)	Calculate the gross profi								

 -															

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.

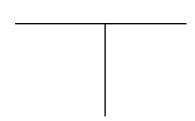
### **REQUIRED**

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

Date	

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

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							
		 [2]						

(b)

May 2022.	e amount d	or advertising	expense	incurred	for the	year ende	ea 31
							[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

	Train moonie dooddin							
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.							
	[2]							

Explain the revenue recognition theory.
[2]
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
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 Shage	gy's business	Books of Rogers's business			
	Account to be	Account to be	Account to be			
	debited	credited	debited	credited		
Invoice						
Credit note						

		l			[4]
(b)	State the diffe	erence between a	cash transaction	and a credit tra	nsaction.
					[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 (S)
[	Jan 14	-500 (Cash in hand)	-500 (Trade payable)	No effect
$\perp$				
	21			

25		
30		
	1	[7]

[Total: 13]

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