



Geylang Methodist School (Secondary) Preliminary Examination 2022

Candidate
Name

Class

Index
Number

PRINCIPLES OF ACCOUNTS

Paper 1

7087/01

Sec 4 Express/
Sec 5 Normal (Academic)

No Additional Materials are required

1 hour

READ THESE INSTRUCTIONS FIRST

Write your index number and name 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/tape.
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.

The total marks for this paper is 40 marks.

40

This document consists of **8** printed pages.

1 Layla operates a supermarket, Best Grocer. When preparing the business financial statements for the year ended 30 June 2022, her accountant discovered the following errors.

1 Invoice of \$2 000 received from credit supplier Alex, had been recorded in Allen's account.

- 2 Cheque payment of \$500 for utilities, had been recorded as \$5 000.
- 3 Cash of \$600 received for goods sold, has been debited to the sales revenue account and credited to cash in hand account.

REQUIRED

- (a) State **one** purpose of source document.

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..... [1]

- (b) Prepare the journal entry to correct error 1. A narration is **not** required.

Date		Debit \$	Credit \$

[2]

- (c) Prepare a statement of adjusted profit for the year ended 30 June 2022. The unadjusted profit was \$5 000.

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..... [3]

- (d) State **one** role of accountants in business.

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..... [1]

- (e) Name **one** stakeholder and the decision that he/she might make by using the business financial statements.

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..... [2]

- (f) In each given scenario, identify the accounting theory applied:

	Scenario	Accounting theory
(i)	Layla paid rent in advance for the month of July 2022. She has not recorded this as part of rental expense for the year ended 30 June 2022.	
(ii)	The excellent shop location and skills of employees are not recorded.	

[2]

[Total: 11]

[Turn over

- 2 The following information was extracted from the books of Claire Home Supplies as at 31 July 2020 to 2022.

	2020	2021	2022
	\$	\$	\$
Motor vehicles	130 800	124 640	152 800
Cash at bank	41 300	21 800	-
Trade receivables	10 120	22 260	28 330
Inventory	12 300	19 800	35 200

Prepaid rent	1 000	2 500	4 400
Trade payables	16 000	28 400	30 880
Current portion of long-term borrowings	5 000	5 000	5 000
Bank overdraft	-	-	4 400
Current ratio	3.08	1.99	?
Quick ratio	2.45	1.32	?

REQUIRED

- (a) Distinguish between bank loan and bank overdraft.

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..... [2]

- (b) Explain the importance of being liquid.

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..... [1]

- (c) Calculate the following ratios as at 31 July 2022. Show your answers to **two** decimal places:

	Current ratio	Quick ratio
Workings		
Answer		

[2]

- (d) Evaluate the liquidity of Claire Home Supplies over the period of three years. Use the given information and your answer to (c).

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..... [1]

[Turn over

Trade receivable – Ellie Gardens

2022		Dr	Cr	Balance
Jun	1			600 Dr
	4	1 600		2 200 Dr
	9		2 090	110 Dr
	9		110	0
	18	1 900		1 900 Dr
	21	2 090		3 990 Dr
	21	110		4 100 Dr
	28		2 800	1 300 Dr
	28		1 300	0

REQUIRED

(a) Interpret the entries on the following dates:

(i) 1 June

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 [1]

(ii) 4 June

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 [1]

(iii) 21 June

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 [2]

(iv) 28 June

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 [2]

(b) Prepare the journal entries in Alan Landscape Services' books to record the transaction on 28 June. Narration is **not** required.

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..... [3]

(c) Distinguish between trade discount and cash discount.

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..... [2]

[Total: 11]

[Turn over

4 Ian is a sole proprietor. He owns a bookstore called Ian Books.

On 1 April 2021, the business had a capital balance of \$40 000. The following transactions took place during the financial year ended 31 March 2022.

2021

- Nov 29 Ian issued a personal cheque of \$6 000 to pay off part of the business bank loan.
- Dec 10 Ian withdrew \$1 000 from the business bank account for office use.
- 2022
- Jan 8 Ian withdrew \$50 worth of books as a gift to his friend.
- Mar 31 Loss amounted to \$2 500.

REQUIRED

- (a) Prepare the capital account for the year ended 31 March 2022.

Capital account

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..... [4]

Ian is considering forming a private limited company. He requires some advice on certain accounting terminologies.

REQUIRED

- (b) Define:

- (i) Retained earnings

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..... [1]

- (ii) Dividends

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..... [1]

- (c) Name **one** accounting theory which is applied when accounting for share capital.

..... [1]

END OF PAPER

[Total: 7]