

**CHIJ KATONG CONVENT
PRELIM EXAMINATION 2022
SECONDARY 4 EXPRESS / 5 NORMAL (ACADEMIC)**

CANDIDATE
NAME

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CLASS

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INDEX
NUMBER

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PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

August / September 2022

1 hour

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your name, class and index 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.

For Examiner's Use	
1	
2	
3	
4	
Total	

Answer **all** questions.

- 1** Koh Rong runs a retail shop. The following information on wages for sales staff for the year ended 30 April 2022 is taken from the business.

	\$
On 1 May 2021	
Wages owed to staff	850
On 30 April 2022	
Wages owed to staff	1 030

During the year ended 30 April 2022, wages paid in cheques to sales staff was \$25 200.

REQUIRED

- (a)** Calculate the wages to be reported on the statement of financial performance for the year ended 30 April 2022.

.....

.....

.....

.....

[3]

- (b)** Prepare journal entries to record wages owed to staff on 30 April 2022. Narration is **not** required.

	Debit \$	Credit \$

[2]

- (c)** State the effect on profit for the year if wages owed to staff on 30 April 2022 is **not** adjusted.

.....

.....

.....

[2]

Koh Rong also provided the following ledger account for the year ended 30 April 2022 on the business' commission income.

Commission income account			
		Debit	Credit
		\$	\$
2021			
May	1	Commission receivable	570
			570 Dr
2022			
March	31	Cash at bank	9 760
			9 190 Cr
April	30	Commission receivable	660
			9 850 Cr

REQUIRED

(d) Interpret the entries in the commission income account on:

(i) 1 May 2021

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.....

[1]

(ii) 31 March 2022

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.....

.....

[1]

(iii) 30 April 2022

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.....

[1]

- (e) Name and explain the accounting theory applied when adjusting the commission receivable at year-end.

[2]

[Total: 12]

- 2 The following information is taken from the accounts of a trading business owned by Pitas.

	Year ended 30 April 2021	Year ended 30 April 2022
Gross profit margin	25%	18%
Profit margin	9%	12%

In 2022, Pitas found that goods were piling up in the storeroom. He then introduced a promotion campaign to sell off the goods and reduced the quantity purchased from suppliers. Pitas also made other business decisions to improve the business' profit.

REQUIRED

- (a) Comment on the gross profit margin of the business over the **two** years.

[3]

- (b) Comment on the profit margin of the business over the **two** years.

[2]

[Total: 5]

- 3** Sumbawa is an importer of yoga clothes and related equipment.
She uses the FIFO (First-in -first-out) method of inventory valuation.

The business had 22 pieces of yoga pants costing \$528 on 1 May 2022.

In May 2022, the business had the following transactions.

Inventory bought in May 2022			
Date		Pieces of yoga pants	Cost
2022			\$
May	4	14	364
	16	22	638
	24	18	558

The business sold on credit 36 pieces of yoga pants on 25 May 2022 for \$1 115.

REQUIRED

- (a)** Name the source document used to record the transaction on 25 May 2022.

.....
[1]

- (b)** Calculate the cost of sales of yoga pants in May 2022.

.....
.....
.....
.....
[2]

- (c)** Calculate the gross profit margin on yoga pants for the month of May 2022.

.....
.....
.....
.....
[2]

On 31 May 2022, Sumbawa found that 20 floor mats bought for \$224 were damaged in a recent heavy downpour and could only be sold for \$136.

The remaining 180 floor mats were not damaged. These were bought for \$2 160 and could be sold for \$2 592.

REQUIRED

- (d) Calculate the value of floor mats that should be included on the statement of financial position as at 31 May 2022.

[2]

Sumbawa decided not to adjust the inventory on 31 May 2022 for the damaged floor mats and to maintain their value at \$224.

REQUIRED

- (e) State the effect of Sumbawa's decision on equity as at 31 May 2022.

[2]

[Total: 9]

- 4 Macleod provided the following cash at bank details for the month ended 31 July 2021 taken from the accounts of his business.

Cash at Bank					
			Debit	Credit	Balance
			\$	\$	\$
2021					
July	1	Balance b/d			450 Dr
	6	York cheque 1247		630	180 Cr
	15	Liao	170		10 Cr
	22	Gove cheque 1248		558	568 Cr
	27	Bicol	680		112 Dr
	31	Sales revenue	172		284 Dr
	31	Yamal cheque 1249		326	42 Cr

On 4 August 2021, the bank statement for the month ended 31 July 2021 was received.

Bank Statement for the month ended 31 July 2021					
			Withdrawals	Deposits	Balance
			\$	\$	\$
2021					
July	1	Balance b/d			660 Cr
	3	Cheque 1246	210		450 Cr
	8	Cheque 1247	630		180 Dr
	17	Cheque deposit - Liao		170	10 Dr
	24	Cheque 1248	558		568 Dr
	28	Cheque deposit - Bicol		860	292 Cr
	31	Bank charges	35		257 Cr

It was found that the cheque received from Bicol on 27 July 2021 has been wrongly recorded in the business' cash at bank account.

REQUIRED

- (a)** Prepare an updated cash at bank account for the month ended 31 July 2021.

[3]

- (b)** Prepare a bank reconciliation statement as at 31 July 2021.

[4]

- (c) Explain the historical cost concept.

[1]

- (d) Name **one** purpose of internal control.

[1]

Macleod's financial year ends on 31 December.

Macleod took up a bank loan of \$20 000 on 1 April 2020. The loan is repayable in 4 equal instalments on every 31 March. Interest rate is at 4% per annum.

The first repayment of \$5 000 was made on 31 March 2021.

REQUIRED

- (e) Calculate the interest expense for the year ended 31 December 2021.

[5]

[Total: 14]

END OF PAPER