

NAME:

CLASS:

INDEX NO:



QUEENSWAY SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2022
SECONDARY 4 EXPRESS/ 5 NORMAL ACADEMIC

Principles of Accounts

Paper 1

7087/01

15 September 2022

1 hour

Candidates answer on the Question Paper

READ THESE INSTRUCTIONS FIRST

Write your 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.

All calculations must be shown adjacent to the answer.

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	Parent's Signature
40	

Answer **ALL** questions

- 1 Mei Ling sells hair accessories. The following errors were discovered by the business for the year ended 30 September 2022.
- 1 Maintenance of display shelves of \$300 was recorded in the fixtures and fittings account.
 - 2 Cheque payment of \$250 to credit supplier, Angie, was recorded as a debit entry to the cash at bank account and a credit entry to Angie's account.
 - 3 Interest income of \$90 received in cash was recorded in the books as \$70.

REQUIRED

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

Journal			
Date	Particulars	Debit \$	Credit \$

[6]

- (b) Complete the following table to show the effect of the errors on the profit **before** correction. If there is no effect, place a tick (✓) in the 'No effect' column.

Where there is an effect on the profit before correction, indicate the amount by which profit is overstated or understated.

	No effect	Overstated \$	Understated \$
Error 1			
Error 2			
Error 3			

[3]

- (c) Explain how errors could still exist when a trial balance is balanced.

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[2]

[Total: 11]

- 2 The following are the transactions related to one of Rashid's credit customers, Kimly for the month of August 2021.

Trade receivable, Kimly

2021		Dr \$	Cr \$	Balance \$
Aug 1	Bal b/d			20 000 Dr
6	Cash at bank		19 500	500 Dr
	Discount allowed		500	-
10	Service fee revenue	12 000		12 000 Dr
13	Service fee revenue	5 000		17 000Dr
20	Cash at bank		10 000	7 000 Dr
20	Allowance for impairment of trade receivables		7 000	-

REQUIRED

- (a) Interpret the entries in the trade receivable, Kimly account on:

- (i) 1 August 2021

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[1]

- (ii) 6 August 2021

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[2]

- (iii) 10 August 2021

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[1]

(iv) 20 August 2021

[2]

(b) Explain the accounting of allowance for impairment of trade receivables using the prudence theory.

[2]

[Total: 8]

- 3 Raju runs a business that provides consultancy services. The following is available on 1 July 2021.

	\$
Consultancy fee revenue received in advance	3
	000
Wages expenses payable	4
	500

Additional information:

For the year ended 30 June 2022, the cash at bank account showed that the business received a total of \$100 000 for consultancy fee revenue. There was another \$5 000 that has yet to be received.

Wages expense \$8 000 was paid by cheque. \$600 of the wages is still owing to the workers on 30 June 2022.

REQUIRED

- (a) Prepare all the relevant journal entries to account for the consultancy fee revenue for the year ended 30 June 2022. Narrations are **not** required.

Journal			
Date	Particulars	Debit \$	Credit \$

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[8]

- (b) Calculate the amount to be shown as wages expense in the statement of financial performance for the year ended 30 June 2022.

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[3]

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- (c) Explain an accounting theory that a business should apply when recording accrued wages.

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[2]

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- (d) Prepare an extract of the statement of financial performance for the year ended 30 June 2022, showing the relevant portion(s).

Raju

Statement of financial performance for the year ended 30 June 2022

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[2]

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[Total: 15]

- 4 Atiqah had the following efficiency ratios evaluating inventory management for the years ended 30 September 2020, 2021 and 2022.

	2020	2021	2022
Rate of inventory turnover	9.43 times	8.33 times	7.28 times
Days sales in inventory	20.63 days	25.80 days	32.51 days

REQUIRED

- (a) Evaluate Atiqah's efficiency in inventory management over the three years ended 30 September 2020, 2021 and 2022.

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[4]

- (b) Suggest **two** ways to improve Atiqah's efficiency in inventory management.

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[2]

[Total: 6]

End of Paper 1