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Bukit Batok Secondary School
GCE 'O' Level Preliminary Examination 2023
 Secondary 5 Normal Academic

7087/01

24 August 2023 Thursday
 0820 - 0920
 1 hour

PRINCIPLES OF ACCOUNTS

Paper 1

Candidates answer on the Question Paper

No Additional Materials are required

READ THESE INSTRUCTIONS FIRST

Write your name, register number and class on this cover page.
 Write in dark blue or black pen in the spaces provided on the Question Paper.
 You may use a pencil for any rough working.
 Do not use staples, paper clips, glue or correction fluid.

The use of an approved calculator is allowed.

Answer **all** questions.

Where layouts are to be completed, you may not need all the lines for your answers.
 Where the columnar format is used, the running balance column should be updated for the first and last entries. Where applicable, the balance should be brought down to the next financial year.

The businesses described in this question paper are fictitious.

You are reminded of the need for clear presentation in your answers.
 At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.
 The total number of marks for this paper is **40**.

HOM: Strive for accuracy and precision

For Examiner's Use

This document consists of **11** printed pages and **1** blank page.

Answer all questions

1 Maverick Engineers Limited provided the following ledger account.

Retained earnings account

Date	Particulars	Debit	Credit	Balance
2022		\$	\$	\$
May 1	Balance b/d			140 250 Cr
2023				
Apr 30	Income summary	8 000		132 250 Cr
Apr 30	Dividends	15 000		117 250 Cr
May 1	Balance b/d			117 250 Cr

REQUIRED

(a) Interpret all entries on 30 April 2023.

[3]

(b) State the meaning of:

(i) Share capital

[1]

(ii) Dividends

[1]

(iii) Retained earnings

[1]

On 1 May 2022, Maverick Engineers Limited had a share capital of 10 000 ordinary shares of \$1.50 each. On 2 November 2022, the business issued another 5 000 ordinary shares for \$1.70 each.

REQUIRED

- (c) Prepare an extract of the statement of financial position as at 30 April 2023 to show the equity section.

Extract of Statement of Financial Position as at 30 April 2023

[4]

[Total: 10]

[Turn over]

- 2 Bradley runs a catering business which owns several motor vehicles. Bradley's business has a financial year end of 31 January. The following ledger account has been provided.

Accumulated depreciation of motor vehicles account

Date	Particulars	Debit	Credit	Balance
2022		\$	\$	\$
Feb 1	Balance b/d			40 650 Cr
Jul 1	Sale of non-current assets	4 800		35 850 Cr
2023				
Jan 31	Depreciation of motor vehicles		?	?

REQUIRED

- (a) Interpret the entry on 1 July 2022.

[1]

- (b) Name and explain the accounting theory applied when recording the transaction on 31 January 2023.

Name: _____

Explanation: _____

[2]

Bradley's business received \$24 000 cheque for the sold motor vehicle. The motor vehicle was bought on 1 June 2020. The following ledger account has been provided.

Motor vehicles account				
Date	Particulars	Debit	Credit	Balance
		\$	\$	\$
2022				
Feb 1	Balance b/d			150 000 Dr
Jul 1	Sale of non-current assets		30 000	120 000 Dr
Jul 1	Cash at bank	22 680		142 680 Dr

REQUIRED

- (c) Calculate the gain or loss on the sale of non-current asset.

[2]

Bradley's policy is to depreciate motor vehicles at 10% per annum using the reducing balance method. No depreciation is charged in the year of sale.

REQUIRED

- (d) Calculate depreciation of motor vehicles for the year ended 31 January 2023.

[3]

[Turn over

- (e)** Prepare an extract of the statement of financial position as at 31 January 2023 to show the non-current assets section.

Extract of Statement of Financial Position as at 31 January 2023

Date		Particulars	Debit	Credit	Balance
2022					
Feb 1		Balance b/d			150,000 Dr
Jul 1		Sale of non-current asset		30,000	120,000 Dr
Jul 1		Cost of bank	25,000		145,000 Dr
REVENUES					
(c) Calculate the gain or loss on the sale of non-current asset.					

[Total: 10]

- 3 On 1 March 2022, Penelope started Penelope Storytime and ordered a shipment of 200 books on credit. Total cost incurred on this batch of books was \$6 800. Included in the cost were the following.

	\$
Shipping fee for the books	350
Import tax on the books	85
Wages for staff to pack the books	500
Marketing costs to promote and sell the books	265

REQUIRED

- (a) State one reason why a business buys inventory on credit.

[1]

- (b) Prepare journal entries to record the total costs incurred on this batch of books.

Date	Particulars	Debit	Credit
		\$	\$

[3]

[Turn over

Penelope Storytime uses the First-In-First-Out (FIFO) method to record its inventory. The following information was provided for the financial year ended 28 February 2023.

2022

Mar 1 Purchased 200 books.

Apr 8 Purchased 100 books with list price \$4 300, less 2% trade discount.

Aug 12 Purchased 100 books on credit for \$4 000.

Nov 3 Purchased 100 books on credit for \$4 100.

Dec 24 Sold 200 books on credit for \$11 800.

2023

Jan 25 Sold 100 books on credit for \$7 400.

REQUIRED

- (c) Calculate the cost of sales for the year ended 28 February 2023.

[1]

- (d) Calculate the ending inventory as at 28 February 2023.

[1]

- (e) Calculate the rate of inventory turnover for the year ended 28 February 2023. Show your answer to **two** decimal places.

[2]

The rate of inventory turnover for Benjamin Reads, a direct competitor of Penelope Storytime, for the year ended 28 February 2023 was 3.74 times.

REQUIRED

- (f) Compare and comment on the inventory management of Penelope Storytime and Benjamin Reads for the year ended 28 February 2023.

[2]

[Total: 10]

[Turn over

- 4 Mitchell took a \$50 000 bank loan on 1 April 2021.

REQUIRED

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

[2]

The equal repayment of the principal amount is on every 31 March starting from the following year over a 10-year period. Interest on the loan is 2% per annum payable on 31 March of each year. Mitchell's financial year ends on 31 December of each year.

REQUIRED

- (b) Prepare journal entries to record the end of year adjustment and transfer of interest expense for the year ended 31 December 2022.

Date	Particulars	Debit	Credit
		\$	\$

[5]

Mitchell discovered that interest payment has been correctly credited to the bank account but wrongly posted to the bank loan account for the year ended 31 December 2022.

REQUIRED

(c) Analyse the effect of this error on:

(i) Profit for the year ended 31 December 2022

[2]

(ii) Non-current liabilities as at 31 December 2022

[1]

[Total: 10]

END OF PAPER