Name:	Index Number:	Class:

YIO CHU KANG SECONDARY SCHOOL O-LEVEL PRELIMINARY EXAMINATION 2022 SECONDARY FOUR EXPRESS SECONDARY FIVE NORMAL (ACADEMIC)



PRINCIPLES OF ACCOUNTS

Paper 1

7087/01 1 hour

13 September 2022 (Tuesday)

READ THESE INSTRUCTIONS FIRST

Write your name, index number and class on all the work you hand in.

Write in dark blue or black pen.

You may use an HB 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 T account format is used, the account should be balanced.

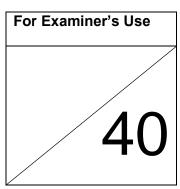
Where applicable, the balance should be brought down to the next financial year.

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.

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.



Setter: Mr Jude Ang

Answer all questions.

1 Adrian runs a small provision shop and deals mainly with cash transactions.

(a)	State and explain two internal controls of cash that Adrian should have.
	[4]
(b)	State two reasons why cheques are rejected by banks.
	[2]
(c)	Explain why bank reconciliation is done by businesses.
	[2]
	rian realises that the balance in his cash at bank account is 10 500 Cr. He realises this is not a healthy balance.
(d)	Suggest two ways that Adrian can improve the cash at bank balance of his business.
	[2]

On 31 December 2020, Adrian did a stocktake and found that \$2 000 worth of goods were either expired or missing.

(e)	Prepare the journal entries to record this loss of inventory. Narrations are required.		
	[3]		
	[Total: 13]		

- 2 For the year ended 31 March 2021, a new and inexperienced book-keeper of Blur Ltd made four errors when preparing the accounts of the business:

 Error
 - 1 Cash contribution by the owner of \$500 was not recorded in the books.
 - 2 Purchase of inventory worth \$1 250 from Papy Trading was recorded in Tapy Trading's account instead.
 - 3 Cheque of \$2 000 received for rent income was wrongly recorded as \$200 in the books.
 - A cheque payment of \$1 000 for repairs expense was debited to the Cash at Bank account and credited to the Repairs Expense account.

REQUIRED

(a) Complete the table below for the errors listed above. An example has been done for you.

Error		E	ffect on	
	Profit for the year	Assets	Equity	Liabilities
1	No effect	Understated \$500	Understated \$500	No effect
2				
3				
4				

	[Total 12]
	[4]
(c)	State two examples of verifiable objective evidence and explain their purpose.
	[1]
	[1]
(b)	State the accounting theory behind the need for verifiable objective evidence before recording any transactions in the books.

3 The following assets and liabilities were in Kara's business on 31 December 2020.

	\$
Motor vehicles	50 000
Trade receivables	17 800
Trade payables	22 500
Inventory	10 000
Cash at bank	13 250
5 Year bank loan	10 000
Cash in hand	7 750
Prepaid rent expense	1 000

REQUIRED

(a)

Calculate the following:	
(i) Working capital	
	.[1]
(ii) Working capital ratio (current ratio) to two decimal places.	
	.[2]
(iii) Quick ratio (acid test ratio) to two decimal places.	
	.[3]

Kara's working capital ratio (current ratio) on 31 December 2019 was 1.8:1.

REQUIRED

(b)	Give three possible reasons for this change in the working capital ratio (current ratio) between 31 December 2019 and 31 December 2020.
	1
	2
	3[3]
(c)	Suggest three actions that Kara could take to improve the liquidity of the business Give reasons to support your answers.
	[6]

END OF PAPER

[Total: 15]

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