Candidate's name: ______________________________ (   )   Class: __________

Evergreen Secondary School
Preliminary Examination 2023

Principles of Accounts Paper 1
Secondary Four G3 and Five G2

Date: 15 September 2023
Duration: 1 hour
Marks: 40

READ THESE INSTRUCTIONS FIRST

Write your name, index number and class on the spaces provided at the top of the Question Paper.
Write in dark blue or black pen.
You may use a HB pencil for any rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.
Answer all questions.
You may use a calculator.
Write all your answers in the spaces provided on the Question Paper.

The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
Total	

This question paper consists of **9** printed pages, including the cover page.

[Turn Over

Answer **all** questions.

1 While closing the accounts of High Waves Tour Agency for the financial year ended 31 July 2023, the accountant discovered the following errors.

1 Drawings of cash by owner for personal use $1 230 has been recorded as $1 320.

2 Commission income of $540 earned for the year has not been received but was debited to the cash at bank account and credited to the commission income account.

3 Proceeds from sale of equipment for $5 000 has been credited to the sales revenue account.

REQUIRED

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

Journal

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.... [6]

(b) State **two** reasons for preparing a trial balance.

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

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[Total: 9]

2 Evans owns a café. In July 2023, he renovated the kitchen and incurred some expenditure.

REQUIRED

(a) Classify the expenditure in the following table by placing a tick (√) in the appropriate column and provide a reason to support each of your answers.

Expenditure	Capital expenditure	Revenue expenditure	Reason
Purchase of kitchen cabinets			
Installation of kitchen cabinets			
Upgrading the existing 3-burner stove with a 5-burner stove			
Servicing for air-conditioning			

[8]

(b) State the materiality theory and explain how it is applied to the recording of capital expenditure and revenue expenditure.

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[Total: 10]

3 The following information was provided by Ravine Pte Ltd.

	31 August 2021	31 August 2022	31 August 2023
	$	$	$
Trade receivables	33 000	39 000	43 500
Less: Allowance for impairment of trade receivables	6 000	9 000	14 500
	27 000	30 000	29 000

Sales revenue account

Date	Particulars	Debit	Credit	Balance
2021		$	$	$
Oct 16	Trade receivables		340 000	340 000 Cr
Dec 6	Cash at bank		35 550	375 550 Cr
2022				
Jan 26	Trade receivables		16 000	391 550 Cr
May 22	Trade receivables		59 000	450 550 Cr
Aug 31	Income summary	450 550		-
Sep 28	Trade receivables		218 000	218 000 Cr
2023				
Feb 4	Cash at bank		24 450	242 450 Cr
Jun 24	Trade receivables		621 000	863 450 Cr
Aug 31	Income summary	863 450		-

Sales returns account

Date	Particulars	Debit	Credit	Balance
2023		$	$	$
Jun 27	Trade receivables	14 000		14 000 Dr
Aug 31	Income summary		14 000	-

REQUIRED

(a) Interpret the entries on the following dates.

(i) 6 December 2021

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(ii) 22 May 2022

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(iii) 31 August 2022

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(iv) 27 June 2023

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.... **[1]**

(b) Calculate the trade receivables collection period for the years ended 31 August 2022 and 31 August 2023. Show your answers to **two** decimal places.

Year ended 31 August 2022	Year ended 31 August 2023
Trade receivables collection period =	Trade receivables collection period =

[4]

(c) Evaluate the management of trade receivables by Ravine Pte Ltd over the two years ended 31 August 2022 **and** 31 August 2023.

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[Total: 11]

4 Square Town Trading took a $100 000 loan from ECT Bank on 1 October 2021. The loan is repayable in equal instalments. The business provided the following bank loan account and interest expense account for the financial year ended 31 December 2022.

Bank loan – ECT Bank account

Date	Particulars	Debit	Credit	Balance
2022		$	$	$
Jan 1	Balance b/d			100 000 Cr
Sep 30	Cash at bank	20 000		80 000 Cr
2023				
Jan 1	Balance b/d			80 000 Cr

Interest expense account

Date	Particulars	Debit	Credit	Balance
2022		$	$	$
Jan 1	Interest expense payable		1 250	1 250 Cr
Sep 30	Cash at bank	5 000		3 750 Dr
Dec 31	Interest expense payable	1 000		4 750 Dr
31	Income summary		4 750	-

REQUIRED

(a) Prepare an extract of the statement of financial position as at 31 December 2022, showing all relevant information.

Square Town Trading
Statement of financial position as at 31 December 2022 (Extract)

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(b) Calculate the annual interest rate charged on the loan. Show your workings clearly.

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(c) State the effect on profit for the year and equity if the business did not make the adjustment in the interest expense account on 31 December 2022.

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(d) State **two** features of a bank loan.

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[Total: 10]

End of Paper