

Candidate Name: _____

Class

Index
No.



FUHUA SECONDARY SCHOOL

Secondary Four Express
Secondary Five Normal (Academic)

4E/5N

Preliminary Examination 2023

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PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

Candidates answer on the Question Paper.
No additional materials are required.

DATE 28 August 2023
TIME 1115 – 1215
DURATION 1 hour

READ THESE INSTRUCTIONS FIRST

Write your class, index number and name in the spaces at the top of the page.

Write in dark blue or black pen.

You may use an HB pencil for any rough workings.

Do not use staples, paper clips, glue or correction fluid.

The use of an approved calculator is allowed.

Answer all the 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.

PARENT'S SIGNATURE	FOR EXAMINER'S USE
	/ 40 marks

This question paper consists of 9 printed pages and 1 blank page.

Answer all questions.

- 1 Desiree wants to find out more information about business and accounting as she opens her own brownie store.

REQUIRED

- (a) State the double entry to be recorded when an owner uses her personal cheque to pay for the business' rental expenses.

Account to be debited	Account to be credited

[2]

- (b) State and explain the accounting theory applied in the preparation of financial statements.

.....

..... [2]

- (c) Explain one professional ethics of accountants.

.....

..... [2]

- (d) State the source documents used for the following transactions.

Transaction details	Source document used
Sold goods on credit	
Increase amount previously undercharged to a credit customer	

[2]

The following account was presented in the first month of the business.

Drawings				
Date 2021		Debit \$	Credit \$	Balance \$
Sep 1	Cash at bank	10 000		10 000 DR
Sep 19	Motor vehicle	18 000		28 000 DR

(e) Interpret the entries on 1 September and 19 September.

1 Sep

19 Sep

[2]

[Total: 10]

2 Christian is reviewing how to better protect the cash kept in the office.

REQUIRED

(a) Explain **two** internal controls.

.....

.....

..... [4]

(b) Explain **two** reasons why a business needs to have internal controls.

.....

.....

..... [2]

(c) Define the monetary concept.

.....

..... [1]

The following information was available from the business.

Cash at bank				
Date 2022		Debit \$	Credit \$	Balance \$
Jun 1	Balance b/d			15 000 DR
Jun 13	Trade receivable – Zola	3 400		18 400 DR
Jun 17	Cash in hand		100	18 300 DR
Jun 25	Trade receivable – Zola		3 400	14 900 DR
Jul 1	Balance b/d			14 900 DR

(d) Interpret the transactions on 17 June and 25 June.

17 Jun

25 Jun

[2]

[Total: 9]

3 Stacy was reviewing the accounts in her trial balance when she found the following errors.

- 1 Business recorded commission income received through cheque, \$400, by debiting the commission income account and crediting the cash at bank account.
- 2 Sale of goods on credit to Matt, \$3 000 was omitted. The original cost of goods was \$1 750.

The unadjusted profit for the year was \$13 000.

REQUIRED

- (a) Prepare the journal entries to correct the errors for the year ended 31 December 2022. Narrations are **not** required.

Journal

	Date 2022		Debit \$	Credit \$
1	Dec 31			
2	Dec 31			
	Dec 31			

[6]

- (b) Prepare the statement to show adjusted profit for the year ended 31 December 2022.

	\$

[6]

[Total: 12]

4 Mason provided the following information about the business.

	2021	2022
Rate of inventory turnover (times)	3.40	2.78
Days sales in inventory (days)	55	63

(a) Evaluate the inventory turnover of the business over the two years.

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.....

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.....

[5]

(b) The following transactions occurred in the month of May 2021.

Date	Transactions
2021	
May 4	Bought goods worth \$5 000 from credit supplier, Jack. The business received a 10% trade discount.
May 13	Returned goods bought on 4 May due to wrong specification. The original list price was \$500.
May 20	Paid amount owing to Jack using cheque and received a 10% cash discount.

Prepare the journal entries to record the transactions on 20 May. Narrations are **not** required.

Journal

Date 2021		Debit \$	Credit \$

[4]

[Total: 9]

END OF PAPER