Name: _____(   )   Class: _____

WOODLANDS SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2022

NORMAL ACADEMIC

Level:	Sec 4 Normal Academic	Marks:	40
Subject:	Principles of Accounts	Day:	Friday
Paper:	7086/01	Date:	5 August 2022
Duration:	1 hour	Time:	10 45 – 11 45

READ THESE INSTRUCTIONS FIRST
_____

Write down your name; register 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 diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

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

DO NOT TURN THE PAGE UNTIL YOU ARE TOLD TO DO SO.
This document consists of **9** printed pages and **1** blank page.

1 The following balances as at 31 March 2022 were extracted from the business of Shi Ting.

	$
Trade receivables	12 260
Bank loan	10 000
Commission income receivables	180
Trade payables	11 430
Inventory	12 850
Capital	**?**

REQUIRED

(a) State the accounting equation.

....

....
[1]

(b) Explain the meaning of **each** of the following terms:

(i) assets

....

....
[1]

(ii) liabilities

....

....
[1]

(c) Using the accounting equation, calculate the value of capital as at 31 March 2022.

....

....

....
[1]

Shi Ting's accountant wrongly recorded her personal car maintenance expenses of $230 into the motor vehicle expenses account.

REQUIRED

(**d**) Prepare a journal entry to correct this error. A narration **is** required.

Journal			
Date	Particulars	DR	CR
2022		$	$
Mar 31			

[3]

(**e**) State the effect of this error on profit for the year.

[1]

(**f**) State the **two** professional ethics that Shi Ting's accountant should adhere to.

[2]

[Total: 10]

2   Raja buys and sells jeans on credit and started his business on 1 January 2020. Raja uses the FIFO (First in First Out) method of inventory valuation. The following transactions took place in January 2020.

Jan 3   Bought 20 pairs of jeans costing $100 on credit from Cebu.

Jan 5   Bought 10 pairs of jeans costing $60 on credit from Bambi.

Jan 8   Bought 30 pairs of jeans costing $200 on credit from Shifu.

Jan 10   Sold 30 pairs of jeans to Canva for $650.

Jan 13   Bought 40 pairs of jeans costing $280 on credit from Pondy.

Jan 15   Raja returned 40 pairs of jeans to Pondy.

REQUIRED

(a) Calculate the cost of sales.

[1]

(b) Calculate the ending inventory on 31 January 2020.

[1]

(c) Prepare the inventory account for the month ended 31 January 2020.

[6]

(d) State **two** factors Raja should consider when purchasing inventory from credit suppliers.

[2]

[Total: 10]

3   Wei Wei buys and sells photo frames. The following transactions took place in the

business:

2016

Dec 12   Received a cheque of $1230 from credit customer, Jonathan.

Dec 13   Issued a cheque of $580 to pay for advertising expenses.

Dec 14   The cheque received from Jonathan was rejected by the bank.

REQUIRED

(a) Name the source documents for the transactions that occurred on:

(i)   12 December 2016

[1]

(ii)   13 December 2016

[1]

(iii)   14 December 2016

[1]

(b) Prepare a journal entry to record the transaction on 14 December 2016. A narration **is**

required.

Journal			
Date	Particulars	DR	CR
2016		$	$
Dec 14			

[3]

(c) Give **two** possible reasons why the cheque from Jonathan was rejected by the bank.

....

....

....
[2]

(d) State **two** internal control measures Wei Wei can implement for his business.

....

....

....
[2]

[Total: 10]

4   Centrepoint Cleaning Agency is a business that cleans the office spaces of their clients. Its financial year ends on 31 July every year. The following ledger account was provided.

Cleaning service fee revenue				
Date	Particulars	Debit	Credit	Balance
2018		$	$	$
Jul 1	Bal b/d			16 000 CR
Jul 16	Trade receivables		140	16 140 CR
Jul 24	Cash at bank		3 900	20 040 CR
Jul 31	Cleaning service fee revenue received in advance	1 300		18 740 CR
Jul 31	Income summary	18 740		-

REQUIRED

(a) State whether Centrepoint Cleaning Agency is a trading business or service business.

....

[1]

....

(b) Interpret the following entries on:

(i)   16 July 2018

....

[1]

....

(ii)   24 July 2018

....

[1]

....

(iii)   31 July 2018 – Cleaning service fee revenue received in advance

....

[2]

....

(c) Explain the term 'cleaning service fee revenue'.

[1]

(d) Interpret the amount of cleaning service fee revenue to be recorded in the statement of financial performance for the year ended 31 July 2018.

[1]

(e) State where cleaning service fee revenue received in advance would be recorded in the statement of financial position as at 31 July 2018.

[1]

(f) Explain how accrual basis of accounting accounts for the cleaning service fee revenue.

[1]

(g) Define revenue recognition theory.

[1]

[Total: 10]

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Answer Scheme

1 (a) Assets = Liabilities + Equity **[1]**

(b) (i) Resources owned or controlled by the business that are expected to bring future benefits. **[1]**

(ii) Liabilities are obligations owed by the business to others that are expected to be settled in the future. **[1]**

(c) A=L+OE

12 260 + 180 + 12 850 = 10 000 + 11 430 + Capital

Capital = 25 290 – 21 430

　　　 = $3860 **[1]**

(d)

Journal			
Date	Particulars	DR	CR
2022		$	$
Mar 31	Drawings	230 **[1]**	
	Motor vehicle expenses		230**[1]**
	Correction of error of personal car maintenance expense recorded as motor vehicle expense account. **[1]**		

(e) The profit for the year would be understated by $230. **[1]**

(f) Integrity **[1]** and objectivity. **[1]**

2(a) $100+ $60 = $160 **[1]**

(b) $200**[1]**

(c)

Inventory				
Date	Particulars	DR	CR	BAL
2020		$	$	$
Jan 3	Trade payable – Cebu	100 **[1]**		100 DR
Jan 5	Trade payable – Bambi	60		160 DR
Jan 8	Trade payable – Shifu	200		360 DR
Jan 10	Cost of sales (100+60)		160 **[1]**	200 DR
Jan 13	Trade payable – Pondy	280 **[1]**		480 DR
Jan 19	Trade payable – Pondy		280**[1]**	200 DR
Feb 1	Bal b/d			200 DR **[1]**

[1] Correct dates

(d)
Any **two** of the following:
1. Nature of product **[1]**
2. Customers' preference **[1]**
3. Cost of inventory
4. Storage cost

3(a) (i) Receipt **[1]**

(ii)Payment voucher **[1]**

(ii) Bank statement **[1]**

(b)

Journal			
Date	Particulars	DR	CR
2016		$	$
Dec 14	Trade receivable - Jonathan	1230 **[1]**	
	Cash at bank		1230 **[1]**
Cheque of $1230 received from Jonathan was rejected by bank. **[1]**			

(c) Any of the two reasons:
- There was insufficient balance in Jonathan's bank account **[1]**
- Cheque was expired **[1]**
- Cheque was post-dated
- Cheque has missing information
- Cheque has inconsistent information
- Jonathan's account was closed/frozen

(d) Any two internal controls
- Segregation of duties **[1]**
- Custody of cash **[1]**
- Authorization
- Bank reconciliation

4(a) Service business. **[1]**

(b) (i) Provided cleaning services worth $140 on credit to customers. **[1]**

(ii) Received a cheque of $3 900 from customer for cleaning services provided. **[1]**

(iii) $1300 worth of services was not yet provided but received in advance from customer for the year ended 31 July 2018. **[2]**

(c) Income earned from providing cleaning services. **[1]**

(d) $18740 **[1]**

(e) Current liabilities **[1]**

(f) Cleaning service fee revenue is recorded in the relevant accounting period regardless of whether cash is paid or received.**[1]**

(g) Revenue is earned when goods have been delivered or services have been provided. **[1]**