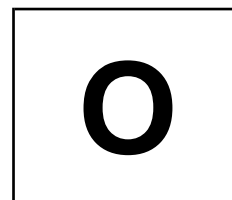




SWISS COTTAGE SECONDARY SCHOOL
SECONDARY FOUR AND FIVE
PRELIMINARY EXAMINATION



Name: _____ () Class: _____

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

Monday 29 August 2022

Candidates answer on the Question Paper.

1 hour

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number 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.

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.

At the end of the examination, fasten all your work securely together.

This document consists of **8** printed pages.

Setter: Mrs Fan-Fong Sook Theng

Vetter: Ms Karen Ang

[Turn over

Home of Thoughtful Leaders: Serve with Honour, Lead with Humility

- 1 Dazzling Home Supplies is in the business of selling household lights. On 31 December 2021, the business had an inventory balance of \$15 000. Unfortunately, the store had experienced a fire due to electrical faults and some of the inventory was damaged. The selling price of the remaining inventory was \$8 200.

The insurance company had informed Dazzling Home Supplies that the business would be able to receive a compensation of \$5 000. As at 31 December 2021, the claim had not yet been received.

REQUIRED

- (a) State the valuation rule of inventory.

.....[1]

- (b) Name the accounting theory applied to the valuation of inventory.

.....[1]

- (c) Calculate the amount of inventory loss due to the fire. Show all workings.

.....

[2]

- (d) Prepare the journal entries to adjust the value of the inventory on 31 December 2021.

Narrations are **not** required.

[3]

Journal

Date	Particulars	Debit (\$)	Credit (\$)

- (e) State the effect on the profit for the year if the inventory was **not** adjusted as at 31 December 2021.

.....
[1]

[Total: 8]

- 2 The following information is extracted from the books of Kitty Palace Pte Ltd for the financial years ended 30 June 2021 and 2022.

	2021 \$	2022 \$
Inventory	7 800	21 500
Trade receivables	6 550	10 900
Cash in hand	3 180	2 900
Cash at bank	15 890	-
Bank overdraft	-	4 210
Trade payables	4 900	5 100
Current portion of long term borrowing	10 000	10 000
Long Term borrowing	50 000	40 000
Current ratio	2.24	?
Quick ratio	1.72	?

REQUIRED

- (a) Calculate, to two decimal places, the following for the year ended 30 June 2022:

- (i) Current ratio

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.....[1]

- (ii) Quick ratio

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.....[1]

- (b) Identify one stakeholder who would be interested in Kitty Palace Pte Ltd's liquidity. Explain why the stakeholder identified is interested in the information.

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.....

.....[2]

(c) Comment on Kitty Palace Pte Ltd's liquidity for the years ended 30 June 2021 and 2022.

[3]

(d) Suggest **two** ways to improve the liquidity of Kitty Palace Pte Ltd.

[2]

[Total: 9]

- 3 Kelly started a sole proprietorship So Good Baking Supplies, a baking supplies business, in 2020. The business provided the following ledger accounts for the year ended 31 March 2022.

Drawings a/c

Date	Particulars	Debit	Credit	Balance
2021		\$	\$	\$
Dec 1	Cash at bank	500		500 Dr
2022				
Jan 1	Inventory	450		950 Dr
Mar 31	Capital		950	-

Capital a/c

Date	Particulars	Debit	Credit	Balance
2021		\$	\$	\$
Apr 1	Balance b/d			10 500 Cr
Dec 31	Cash at bank		5 000	15 500 Cr
2022				
Mar 31	Income summary		9 400	24 900 Cr
31	Drawings	950		23 950 Cr

REQUIRED

(a) Describe the transactions in the drawings account on the following dates.

(i) 1 December 2021

.....[1]

(ii) 31 March 2022

.....[1]

(b) Describe the transaction in the capital account on 31 December 2021.

.....[1]

(c) State whether the business had made a profit or a loss for the year ended 31 March 2022.

.....[1]

The financial year of Extremely Good Bakers Pte Ltd ends on 31 March.
The following transactions took place in 2021 and 2022.

REQUIRED

Share capital a/c

[3]

(e) Prepare the retained earnings account for the years ended 31 March 2021 and 2022.

Retained earnings a/c

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.....[7]

(f) State **two** advantages of a private limited company.

.....

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.....[2]

[Total: 16]

- The profit for the year before discovering the error was \$25 000.

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

.....[3]

-[4]

End of Paper

