



# West Spring Secondary School PRELIMINARY EXAMINATION 2023

## PRINCIPLES OF ACCOUNTS PAPER 1

7086 / 01

Secondary 4 Normal (Academic)

Name \_\_\_\_\_ ( ) Date 15 August 2023

Class \_\_\_\_\_ Duration 1 hour

Candidates answer on the Question Paper.

No Additional Materials are required.

### READ THESE INSTRUCTIONS FIRST

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

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

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.

FOR EXAMINER'S USE

/ 40

This document consists of 8 printed pages.

**[Turn over]**

Answer all questions.

- 1 Faith has a trading business. She maintains full accounting records.

**REQUIRED**

- (a) State **one** purpose of a source document.

.....  
 .....  
 .....[1]

- (b) State the source document used in the following:

		Source document
(i)	sale of goods for cash	
(ii)	return of goods sold on credit	
(iii)	purchase of goods on credit	
(iv)	bank charges	

[4]

- (c) Classify the items in the table below by placing one tick (✓) in the appropriate column. The first item has been completed as an example.

	Item	Assets	Liabilities	Income	Expenses	Owner's equity/capital
(i)	cash in hand	✓				
(ii)	bank loan					
(iii)	interest paid on bank loan					
(iv)	cash discount from suppliers					
(v)	Faith's contribution into the business					

[4]

- (d) State the basic accounting equation.

.....  
 .....[1]

[Total: 10]



- 2 Dan's business buys and sells power banks. The business uses the First-In-First-Out (FIFO) method to calculate the cost of sales and to value ending inventory.

On 1 July 2023, the business had 50 power banks costing \$380.

During July 2023, the business purchased the following inventory.

Date	Number of power banks	Cost \$
July 4	20	120
8	10	100
17	50	400
26	30	190

During July 2023, Dan sold 80 power banks for \$12 each.

#### REQUIRED

- (a) Calculate the cost of sales for July 2023.

.....

.....

.....

.....[2]

- (b) Calculate the sales revenue for July 2023.

.....

.....

.....[1]

- (c) Calculate the gross profit for July 2023.

.....

.....

.....

.....[2]

- (d) Calculate the valuation of inventory for the power banks as at 31 July 2023.

.....

.....

.....[1]

Dan also sells handphone casings which originally cost \$18 each. On 31 July 2023, 20 of the handphone casings were damaged and could only be sold for \$12 each.

- (e) Calculate the valuation of inventory for the damaged handphone casings.

.....[1]

- (f) Prepare the journal entry to record the loss in value of the damaged handphone casings. Narration is **not** required.

Journal			
Date		Debit \$	Credit \$
2023 July 31			

[2]

- (g) Name the accounting theory a business applies when recording a loss in value of inventory.

.....[1]

[Total: 10]

[Turn over]

- 3 Jane has a business whose financial year ends on 30 June.  
On 1 July 2022 the balance on the capital account was \$15 000.

During the year the following took place.

2022

Aug 15 Jane took goods costing \$500 for personal use.

Nov 19 Jane withdrew \$100 cash to pay for her son's tuition.

2023

Jan 5 Jane contributed printer valued at \$800 into the business.

Profit for the year ended 30 June 2023 was \$21 500.

### REQUIRED

- (a) Prepare Jane's drawings account for the year ended 30 June 2023.

Drawings Account

Date		Debit \$	Credit \$	Balance \$

[3]

- (b) Prepare Jane's capital account for the year ended 30 June 2023. Bring down the balance on 1 July 2023.

Capital Account

Date		Debit \$	Credit \$	Balance \$

[4]

(c) Name and explain the accounting theory which is applied to the treatment of drawings.

.....

.....

.....

.....

.....[2]

(d) State the effect drawings will have on the profit for the year.

.....

.....[1]

[Total: 10]

[Turn over



- 4 Ahmad's business owns motor vehicles which are depreciated using the reducing-balance method.

### REQUIRED

- (a) Define depreciation.

.....  
 .....  
 .....[1]

- (b) State **two** causes of depreciation.

1 .....  
 2 .....[2]

- (c) Explain why the business uses the reducing-balance method of depreciation, rather than the straight-line method, for the motor vehicles.

.....  
 .....  
 .....  
 .....[2]

- (d) State how non-current assets would be affected (overstated, understated or no effect) if the business did **not** charge depreciation.

.....  
 .....[1]

On 1 October 2022, Ahmad's business bought \$8 000 worth of fixtures and fittings which have \$500 scrap value at the end of its 5 years of useful life.

- (e) Calculate the depreciation on fixtures and fittings for the year ended 30 September 2023.

.....  
 .....  
 .....[2]

- (f) State the accounting theory which Ahmad applies when depreciating non-current assets.

.....  
 .....[1]

Ahmad's business has stationery for use in the office. He has chosen not to treat them as non-current assets of the business.

(g) State the accounting theory which is being applied above.

.....  
.....[1]

[Total: 10]