

East Spring Secondary School Towards Excellence and Success

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Class:

O Level Preliminary Examination 2022 Secondary 4 Express / 5 Normal (Academic)

Principles of Accounts Paper 1	7087/01
25 August 2022	1 hour
Thursday	1035 – 1135
Candidates answer on the Question Paper.	
No Additional Materials are required.	

READ THESE INSTRUCTIONS FIRST

Write your name, class and register number in the spaces provided above, and on all the work you hand in.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, highlighters, glue or correction fluid.
The use of an approved calculator is allowed.
DO **NOT** WRITE ON ANY BARCODES.

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.

40

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

Question 1

Geremi has just started a business and has some questions on accounting matters that he would like to clarify.

REQUIRED

(a) When a trial balance is balanced, it does not mean that there are no errors in the accounts. Explain the reason for this. [1]

(b) Explain why it is important to have internal controls in a business. [2]

- (c) State two examples of internal control procedure over cash.
- [2]

(d) State one advantage of operating a business as a sole proprietorship instead of a private limited company. [1]

(e) State one disadvantage of operating a business as a sole proprietorship instead of a private limited company. [1]

(f) Explain why a business needs to prepare financial statements at regular time intervals with the support of an accounting theory. [2]

[Total: 9]

Question 2

The following service fee revenue account was extracted from the books of Get Together Pte Ltd, which is an event organiser.

Date	Particulars	Dr	Cr	Balance
2022		\$	\$	\$
Mar 1	Service fee revenue received in advance (1)		4,900	4,900 Cr
Mar 6	Cash in hand		2,300	
Mar 15	Cash at bank (3)		3,600	
Mar 22	Trade receivables (4)		7,300	
Mar 31	Service fee revenue received in advance (2)	1,500		

Service fee revenue Account

REQUIRED

(a)	Explain the difference between entries (1) and (2).	[2]
(b)	State the amount of service fee revenue to be presented in the stateme financial performance for the month ended 31 March 2022.	ent of [1]
(C)	Explain the difference between transactions (3) and (4).	[2]

(d)	State reve	e the effect on the following if no adjustment was made to service fee nue on 31 March 2022.	
	(i)	Statement of financial performance	[2]
	(ii)	Statement of financial position	[1]
(e)	Get servi	Together Pte Ltd is a service business. Explain the difference betweer ce business and a trading business.	ı a [2]

[Total: 10]

Question 3

The following information is extracted from the books of Resilience Trading for the years ended 30 June.

	2021 ¢	2022 ¢
Sales revenue	ۍ 165,000	φ 188,600
Less Sales returns	(4,200)	(7,500)
Net Sales revenue	160,800	181,100
Less Cost of sales	(64,270)	(71,200)
Gross profit	96,530	109,900
Ending inventory	18,200	25,700
Days sales in inventory	96.5	

REQUIRED

(a) Calculate, to one decimal place, the days sales in inventory for the year ended 30 June 2022. [2]

(b) Comment on the change in days sales in inventory over the two years. [3]

(C) Explain why efficiency in inventory management is important to a business. [2] (d) Suggest two ways in which the days sales in inventory can be improved. [2]

Harhash, a potential investor who is interested in investing in Resilience Trading has computed the return on equity.

REQUIRED

(e)	Explain the meaning of return on equity.	[1]
(f)	Explain how Harhash can use the return on equity that he has computed make his decision on whether to invest in Resilience Trading.	to [2]

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7

[Total: 12]

Question 4

Gonzales started a business to provide delivery services on 1 May 2020 by purchasing two delivery vans costing \$12,000 each, paying by cheque.

Another van costing \$15,000 was purchased on 1 August 2021 on credit from Toyoda Ltd.

It was the business' policy to depreciate motor vehicles at 20% per annum using the reducing balance method.

REQUIRED

(a) Explain why motor vehicles need to be depreciated using a relevant accounting theory.
 [2]

(b) Name two causes of depreciation.

[2]

(c) Calculate the depreciation of motor vehicles for the year ended 30 April 2022 using the reducing balance method. [3]



Besides the reducing balance method, another method to depreciate non-current assets is the straight-line method.

REQUIRED

(d) Explain the difference between using the two depreciation methods on profits for the period [2]

[Total: 9]

End of Paper