



**JUNYUAN SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2022
SECONDARY FOUR EXPRESS/ FIVE NORMAL ACADEMIC**

CANDIDATE
NAME

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CLASS

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INDEX
NUMBER

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PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

13 September 2022

1 hour

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number 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.

Answer **all** questions.

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

For examiner's use only	
Question number	Mark
1	/ 9
2	/ 12
3	/ 12
4	/ 7
Total	/40

- 1 Sparkling Hardware Pte Ltd provided the following account balances on 1 August 2021.

Shareholders' equity	\$
Share capital, 200 000 ordinary shares	500 000
Retained earnings	143 600

The financial year of Sparkling Hardware Pte Ltd ends on 31 July 2022.

REQUIRED

- (a) Explain the following terms:

- (i) retained earnings

.....
[1]

- (ii) dividends

.....
[1]

The following transactions took place for the year ended 31 July 2022.

Date

2021

Nov 8 50 000 shares were issued at \$2.50 per share. All the shares were sold and fully paid.

2022

May 15 Dividends of \$0.03 per share were declared. The amount would be paid on 31 August 2022.

July 31 Profit for the year was \$22 790.

REQUIRED

- (b) Prepare the journal entry to record the issuance of shares on 8 November 2021. A narration is **not** required.

Particulars	Debit \$	Credit \$

[2]

- (c)** Prepare the retained earnings account for the year ended 31 July 2022.

Retained earnings account

.....[3]

- (d)** State **one** difference between a private limited company and a sole proprietorship.

.....[2]

[Total: 9]

- 2 Funzone is a retail business selling toys and uses the First-In-First-Out (FIFO) method of costing inventory.

On 1 May 2021, Funzone had 500 units of toys costing \$9 900.

The following transactions took place in May 2021. All transactions were paid or received by cheque.

Date	Quantity of toys	\$
<u>Purchase of goods</u>		
May 8	300	7 300
16	500	6 000
27	400	4 800
<u>Sale of goods</u>		
May 29	800	42 000

REQUIRED

- (a) Calculate the total cost of sales for the month ended 31 May 2021.

.....
[1]

- (b) Calculate the gross profit for the month ended 31 May 2021.

.....
[1]

- (c) State **one** source of **non**-accounting information that a business might use when deciding which inventory to buy.

.....
[1]

On 8 June 2021, a fire broke out and destroyed some of the toys in the shop. \$2 000 worth of toys was damaged.

REQUIRED

- (d) Name and explain the accounting theory applied in valuing inventory.

Theory:

Explanation:

.....

.....[2]

- (e) Complete the following table to indicate the effect of not adjusting the damaged inventory. Place a tick (✓) in the appropriate column.

Effect on	Understated	Overstated	No effect
Current asset		✓	
Income			
Profit			

[2]

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PLEASE TURN OVER

- 3 On 1 May 2022, the balances of Energy Waterway are as followings:

	\$
Inventory	4 500
Equipment at cost	8 900
Accumulated depreciation of equipment	1 335
Trade payable	2 000
Bank overdraft	360
Trade receivables	8 000
Allowance for impairment of trade receivables	1 900
Motor vehicle	30 000
Capital	?

REQUIRED

- (a) Explain the following terms:

- (i) assets

.....
[1]

- (ii) liabilities

.....
[1]

- (b) Calculate the amount of capital on 1 May 2022.

.....

 [2]

On 1 August 2022, Energy Waterway obtained a bank loan of \$30 000 at an interest rate of 2% per annum. The loan is to be paid equally over 5 years. The partial principal sum repayment and the interest are to be made every year starting 31 July 2023. The financial year of Energy Waterway ends on 31 December.

REQUIRED

- (c) Prepare the extract for the statement of financial position as at 31 December 2022, showing only the current liabilities section.

Energy Waterway

Statement of financial position for the year ended 31 December 2022

<u>Current liabilities</u>	\$

[2]

- (d) Explain **one** difference between bank loan and bank overdraft.

.....

[2]

- (e) Name and explain the accounting theory for interest expense incurred but not paid.

Theory:.....

Explanation:

.....

[2]

- (f) Complete the following table to state the effect of not adjusting for expense payable. Place a tick (✓) in the appropriate column.

Effect on	Understated	Overstated	No effect
Expense	✓		
Current liability			
Profit			

[2]

[Total: 12]

- 4 Joy owns a business selling handbags. Joy has discovered the following errors in the trial balance for the year ended 31 July 2022.

- 1 Cheque of \$936, paid to a credit supplier, to fully settle a debt of \$1 000 has been recorded as \$963.
- 2 A credit sales return of \$123 from Yeo had been recorded as \$213.

REQUIRED

- (a) Describe **one** type of error not revealed by trial balance.

.....

 [1]

- (b) Explain why cash discount is given.

.....
 [1]

- (c) Prepare the journal entry to correct error 1. A narration is **not** required.

Error	Particulars	Debit \$	Credit \$
1			

[2]

The profit for the year had been calculated as \$9 700 **before** correction of the errors.

REQUIRED

- (d) Complete the following table to calculate the adjusted profit **after** correcting errors 1 and 2. If there is no effect on the profit, write “no effect” in the appropriate column.

Statement to show adjusted profit for the year ended 31 July 2022	
Profit for the year before correction of errors	\$ 9 700
Error 1	
Error 2	
Adjusted profit for the year	

[3]

[Total: 7]

END OF PAPER

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