



GREENRIDGE SECONDARY SCHOOL
2024 PRELIMINARY EXAMINATION
SECONDARY 4 NORMAL (ACADEMIC)

CANDIDATE NAME

CLASS - INDEX NUMBER

Principles of Accounts

7086

Paper 1

7 August 2024

Setter: Ms Sabrina

1 hour

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your name, register number and class on this cover and 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 fictitious.

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

The total of the marks for this paper is 40.

For Examiner's Use	
Total	40

[Turn over

This paper consists of **9** printed pages, including this cover page.

Answer **all** the questions.

- 1 LX Trading provided the following balances as at 30 June 2024.

	\$
Trade receivables	12 100
Trade payables	7 800
Bank overdraft	1 600
Inventory	13 300
Non-current assets	24 500
Loan from bank	10 000

REQUIRED

- (a) Define the following terms:

(i) Assets

Resources owned and controlled by the business that are expected to generate future benefits.[1]

(ii) Liabilities

Obligations owed by a business to others that are expected to be settled in the future.[1]

- (b) Calculate the capital as at 30 June 2024.

$$\begin{aligned}
 \text{Capital 30 June 2024} &= \text{Total assets} - \text{Total Liabilities} \\
 &= (12100 + 13300 + 24500) - (7800 + 1600 + 10000) \\
 &= 49900 [1] - 19400 [1] \\
 &= \$30500 [1]
 \end{aligned}$$

- (c) Explain the going concern theory.

A business is assumed to have an indefinite economic life [1] unless there is credible evidence that it may close. [1]

The following transactions took place during the year ended 30 June 2024.

REQUIRED

(d) Name the source document used for each transaction.

	Source document
A credit customer was undercharged.	Debit note [1]
Bought a computer on credit.	Invoice [1]
Cash purchases.	Receipt [1]
Bank charges.	Bank statement [1]

[4]

[Total: 11]

- 2 Kelvin runs a trading business with a financial year of 31 December.

On 1 April 2023, the business obtained a bank loan of \$400 000. The loan is to be paid equally over 10 years. The first payment, together with interest, fell on 31 March 2024.

The interest incurred for the year ended 31 December 2023 was \$15 000.

REQUIRED

- (a) State **one** difference between a bank loan and a bank overdraft.

	Bank loan	Bank overdraft
1	The business borrows a fixed amount, and the cash is transferred to its bank account.	The business withdraws more than what it has deposited in the bank account, up to the limit agreed upon.
2	The business makes regular cash payments in equal instalments over the period of loan period or a one-time lump sum payment at the end of the loan period.	The business deposits cash into the bank account within the year to reduce the overdraft.
3	Presented under non-current liability in the statement of financial position.	Presented under current liability in statement of financial position.

[any difference 2m]

- (b) Prepare the bank loan account for the year ended 31 December 2023 and 2024.

Bank loan account

Date	Particulars	Debit	Credit	Balance
2023		\$	\$	\$
Apr 1	Cash at bank [1]		400 000	400 000 Cr
2024				
Jan 1	Balance b/d [1]			400 000 Cr
Mar 31	Cash at bank [1]	40 000		360 000 Cr
2025				
Jan 1	Balance b/d [1]			360 000 Cr

[4]

- (c) Prepare an extract of the statement of financial position as at 31 December 2023 to show the liabilities section.

Extract of statement of financial position as at 31 December 2023

<u>Non-current liabilities</u>	\$
Long-term borrowings [1]	360 000
<u>Current liabilities</u>	
Current portion of long-term borrowings [1]	40 000
Interest expense payable [1]	15 000

- (d) Name and explain the accounting theory applied by a business when accounting for interest expense incurred but not yet paid.

Name: Accrual basis of accounting [1]

Explanation: Interest expense must be recognised in the financial period once incurred [1] whether or not it has been paid.[1]

[Total: 12]

- 3 On 1 October 2022, Danial's business bought a motor vehicle, costing \$50 000, on credit from Speedy Co.

The business depreciates its motor vehicles at 10% per annum using the reducing balance method. The financial year of the business ends on 31 March.

REQUIRED

- (a) Prepare the journal entry to record the transaction on 1 October 2022. A narration is required.

Date 2022	Particulars	Debit \$	Credit \$
Apr 1	Motor vehicles [1]	50 000	
	Trade payable – Speedy Co [1]		50 000
Bought motor vehicle on credit from Speedy Co. [1]			

[3]

- (b) Calculate the depreciation of motor vehicles for the financial year ended:

- (i) 31 March 2023
 $10\% \times 50\,000 \times 6/12 = \$2\,500$ [1]
- (ii) 31 March 2024
 $10\% \times (50\,000 - 2\,500 \text{ OF}) = \$4\,750$ [1]

- (c) Prepare the journal entry to record the depreciation of motor vehicles for the year ended 31 March 2024. A narration is **not** required.

Date 2024	Particulars	Debit \$	Credit \$
Mar 31	Depreciation of motor vehicles [1] OF	4 750	
	Accumulated depreciation of motor vehicles [1]		4 750

[2]

During the year ended 31 March 2024, Danial's business also bought a new machine and incurred expenditure relating to the machinery.

REQUIRED

(d) Classify the expenditure in the following table by placing a tick (√) in the appropriate column.

	Capital expenditure	Revenue expenditure
Delivery and installation fees	√ [1]	
Annual servicing and maintenance		√ [1]
Utilities to run the machinery		√ [1]

[3]

[Total: 10]

- 4 Elysia runs a bookshop with a financial year end of 30 April. She has provided the following information.

Drawings account

Date 2024	Particulars	Debit \$	Credit \$	Balance \$
Jan 18	Cash in hand (a)(i)	400		400 Dr
Mar 2	Inventory (a)(ii)	500		900 Dr
Apr 30	Capital		900	-

Capital account

Date 2023	Particulars	Debit \$	Credit \$	Balance \$
May 1	Balance b/d			24 800 Cr
Aug 1	Cash at bank (a)(iii)		10 000	34 800 Cr
2024				
Apr 30	Income summary (b)(i)		7 800	42 600 Cr
30	Drawings (b)(ii)	900		41 700 Cr
May 1	Balance b/d			41 700 Cr

REQUIRED

(a) Interpret the entries on the following dates:

(i) 18 January 2024

The owner withdrew \$400 cash for personal use. [1]

(ii) 2 March 2024

The owner took \$500 worth of goods for personal use.[1]

(iii) 1 August 2023

The owner deposited / contributed \$10 000 into the bank account. [1]

(b) State the effect of the following transactions on the owner's equity.

(i) Income summary

Increase by \$7 800 [1]

(ii) Drawings

Decrease by \$900 [1]

(c) Explain the accounting entity theory.

The owner and business are treated as separate entities. [1] All transactions are recorded from the point of view of the business. [1]

[Total: 7]

END OF PAPER

