



**HILLGROVE SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2022
SECONDARY FOUR (EXPRESS)
/ FIVE (NORMAL ACADEMIC)**

CANDIDATE NAME ()

CLASS -

CENTRE NUMBER S

INDEX NUMBER

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

17 Aug 2022

Candidates answer on the Question Paper.

1 hour

No Additional Materials are required.

11.40 AM to 12.40 PM

READ THESE INSTRUCTIONS FIRST

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.

Answer **all** questions.

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

Parent's/ Guardian's Signature: _____

For Examiner's Use	
	Marks
1	
2	
3	
4	
TOTAL	

- 1 Praise Trading records its transactions based on source documents in accordance to the objectivity theory and the historical cost theory.

REQUIRED

(a) Explain the objectivity theory.

[1]

(b) Explain the historical cost theory.

[1]

Praise Trading issued an invoice when it sold goods.

REQUIRED

(c) Explain the purpose of the invoice.

[1]

Praise Trading recorded the following transactions.

REQUIRED

(d) State the source document that Praise Trading used to record each transaction. Do **not** use 'receipt' and 'bank statement' in your answer.

(i) Received cheque from credit customer _____

(ii) Paid credit supplier by cheque _____

[1]

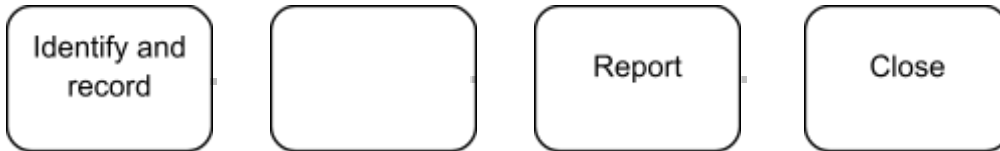
Praise Trading implements the accounting cycle and the accounting information system.

REQUIRED

(e) Fill in missing stages.

[1]

(i) The accounting cycle



(ii) The accounting information system



Praise Trading does not record high staff morale in its books in accordance with the monetary theory.

REQUIRED

(f) Explain the monetary theory.

[1]

Praise Trading prepares its financial statements at the end of every 12 months in accordance to the accounting period theory.

REQUIRED

(g) Explain the accounting period theory.

[1]

[Total: 7]

- 2 Good Fit and Quick Step are in the business of buying and selling safety boots used by workers working in construction, manufacturing and logistics industries.

The following information regarding the rate of inventory turnover is available.

Good Fit		Quick Step	
31 March 2021	31 March 2022	31 March 2021	31 March 2022
4.06 times	6.64 times	8.11 times	?

The following information about Quick Steps is available.

	\$
Cost of sales for the year ended 31 March 2022	850 000
Inventory as at 31 March 2022	92 120
Inventory as at 31 March 2021	94 150

REQUIRED

- (a) State **one** non-accounting information that businesses consider when deciding which type of inventory to purchase from suppliers.

[1]

- (b) Calculate Quick Step's rate of inventory turnover for the year ended 31 March 2022 (to **two** decimal places). Show **all** workings.

[2]

(c) Evaluate efficiency in inventory management for both businesses for both years.

[illegible]

[4]

(d) Suggest **one** reason for the trend in **(c)**.

[1]

Quick Step reviews its trade receivables at the end of each financial period.

REQUIRED

- (e) Using an accounting theory, explain why Quick Step records impairment loss on trade receivables after its review.

[2]

The balance in Quick Step's allowance for impairment of trade receivables account was \$4 000 as at 1 April 2021.

On 7 July 2021, a credit customer, Great Construction, declared bankrupt. \$2 800 owing by Great Construction was written off.

The balance in Quick Step's trade receivables account was \$30 000 as at 31 March 2022. Upon review of its credit customers, it estimated that 6% of the debts was likely to be uncollectible.

REQUIRED

- (f) Prepare journal entry to record the write-off on 7 July 2021 in Quick Step's books. Narration is **not** required.

[2]

- (g) Prepare journal entry to adjust allowance for impairment of trade receivables on 31 March 2022 in Quick Step's books. Narration is **not** required.

[2]

[Total: 14]

- 3 The following were extracted from the books of Quest Pte Ltd.

The following was extracted from its books for the year ended 31 December 2021.

Share Capital				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2021				
Jan 1	Bal b/d			500 000 Cr
Aug 1	Cash at bank		35 000	535 000 Cr

Dividends				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2021				
Jun 30	Cash at bank	25 000		25 000 Dr
Dec 21	Dividends payable	53 500		53 500 Dr
Dec 31	Retained earnings		78 500	-

Retained Earnings				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2021				
Jan 1	Bal b/d			900 000 C r
Dec 31	Income summary		90 000	990 000 C r
Dec 31	Dividends	78 500		911 500 C r

REQUIRED**(a)** Define 'dividends'.

[1]

(b) Define 'retained earnings'.

[1]

(c) Describe the entry in the retained earnings account with the particulars 'Income summary'.

[1]

(d) Describe the entry in the retained earnings account with the particulars 'Dividends'.

[1]

(e) Calculate the amount of shareholders' equity on 1 January 2022.

[2]

Shareholders of Quest Pte Ltd need to decide if they want to continue to invest in the business. To make this decision, the shareholders need the information of how much profit the business has earned for the year as it will affect the dividend rate.

REQUIRED

(f) Other than shareholders, state **one** other stakeholder who may be interested in the accounting information of Quest Pte Ltd **and** the decision that this stakeholder will need to make.

[1]

(g) Explain what accounting information does the stakeholder need in order to make the decision in (f)?

[1]

[Total: 8]

- 4 Oliver provided the cash at bank account in his books and the bank statement received for the month of May 2022.

Cash at Bank

Date 2022	Particulars	Cheque No.	Dr (\$)	Cr (\$)	Bal (\$)
May 1	Bal b/d				6 200 Dr
5	Sales revenue		3 400		
8	Lee Yan Ltd	1053		8 000	
14	Neil Trading	1054		4 280	
17	Mina Enterprise		7 200		
19	Inventory	1055		900	
27	Insurance expense	1056		2 300	
29	Jaylyn Ltd		4 500		
30	Keng Trading	1057		6 100	280 Cr

Bank Statement for the month of May 2022

Date 2022	Transactions	Dr (\$)	Cr (\$)	Bal (\$)
May 1	Balance b/d			6 350 Cr
1	Cheque no. 1052	150		
5	Standing order – Rent	1 340		
7	Cheque deposit		3 400	
9	Cheque no. 1053	8 800		
11	Direct deposit – Commission		3 650	
16	Cheque no. 1054	4 280		
19	Cheque deposit		7 200	
21	Cheque no. 1055	900		
29	Cheque no. 1056	2 300		
30	Refer to drawer (May 19)	7 200		4 370 Dr

Oliver's accountant recorded cheque number 1053 wrongly in the books of the business.

REQUIRED

(a) Other than bank reconciliation, state another way of internal control over cash.

[1]

(b) Prepare the adjusted cash at bank ledger account and bring down the balance to 1 June 2022.

[6]

(c) Prepare the bank reconciliation statement for the month ended 31 May 2022.

[3]

(d) State the effect (including amount) of bank reconciliation on Oliver's business profit.

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[1]

[Total: 11]