

**Peirce Secondary School**  
**Principles of Accounts**  
**Secondary 4 (Express) Preliminary Examination Paper (1)**

**1a)** A accountant should have integrity. This means that he or she has to be straightforward and honest in all professional relationships.

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ü

**Or**

An accountant must have objectivity. This means that he or she will not let bias, conflict of interest or the undue influence of others override his or her professional judgement.

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ü

Each ü = 1 mark

**Total: 2 marks**

**1b)** According to the objectivity theory, source documents provides evidence to capture occurrence of a transaction.

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Each ü = 1 mark

**Total: 2 marks**

**1c)** Assets = Equity + Liabilities

ü

Each ü = 1 mark

**Total: 1 mark**

**1d)** The purpose of a trial balance is ensure arithmetic accuracy in recording and to facilitate the preparation of financial statements.

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ü

Each ü = 1 mark

**Total: 2 marks**

**1e)** Wear and tear/ usage/ obsolescence/ legal limits

üü

Each ü = 1 mark

**Total: 2 marks**

- 2a)** In accordance to the accrual basis of accounting, expenses must be recognised in the period the services have been used regardless of whether they have been paid or not.

**Or**

In accordance to the matching concept, other costs incurred during the operation of a business to generate revenue and other income must be matched against revenue and other income earned in the same accounting period to determine the profit for that period.

Each ü = 1 mark

**2b)**

General Journal			
<u>Date</u>	<u>Particulars</u>	<u>Dr</u>	<u>Cr</u>
<b>2021</b>		(\$)	(\$)
Jul 1	Utilities	1,080	
	Prepaid utilities		1,080
<b>2022</b>			
Jun 30	Utilities	500	
	Cash at bank		500
	Utilities	50	
	Utilities payable		50

Each ü = 1 mark

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**Total: 2 marks**

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**Total: 6 marks**

- 3a) Firstly, a bank reconciliation is used to reconcile differences between the cash at bank account and the bank statement. It is also used to identify any errors in recording made by the business or the bank.

✓  
✓

Each ü = 1 mark

Total: 2 marks

- 3b) A cheque may be dishonoured because it has expired/ cheque is post-dated/ information on the cheque is not consistent/ information on the cheque is not complete/ payer's account is closed, frozen or does not have sufficient money.

✓  
✓

Each ü = 1 mark

Total: 2 marks

3c)

		Cash at bank account			
<u>Date</u>	<u>Particulars</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>	
2022		\$	\$	\$	
Apr 30	Balance b/d			7,850	Dr
	Insurance expense (standing instruction)		1,500	6,350	Dr ✓
	Trade receivables - Sarah		1,000	5,350	Dr ✓
	Trade receivables - Bee	1600		6,950	Dr ✓
	Bank charges		200	6,750	Dr ✓
May 1	Balance b/d			6,750	Dr ✓

Each ü = 1 mark

Total: 5 marks

- 3d) Efficient Wheels Leasing  
Bank reconciliation statement as at 30 April 2022

	\$	\$	
Balance as per bank statement		4,970	
✓ Add: <u>Deposits in transit</u>			
Trade receivables - Chris		4,000	✓

Add: Correction of error for cheque 104

180

✓

Less: Cheques not yet presented

Rent

2,400

✓

Adjusted balance as per cash at bank account

6,750

✓

Correct headings for reconciling items = 1 mark

Each ÷ = 1 mark

**Total: 5 marks**

4a)

## General Journal

<u>Date</u>	<u>Particulars</u>	<u>Dr</u> (\$)	<u>Cr</u> (\$)	
<b>2021</b>				
Mar 31	Impairment loss on trade receivables (0.1*36890)	3,689		✓
	Allowance for impairment of trade receivables		3,689	✓
<b>2022</b>				
Mar 31	Allowance for impairment of trade receivables 3689-(0.1*1742)	1,947		✓
	Impairment loss on trade receivables		1,947	✓

Each ✓ = 1 mark

Both account and amount must be correctly debited/ credited to be awarded 1 mark

**Total: 4 marks**

4b) Yes the business should sell to Sparkling Stones. ✓

Sparkling Stones seems to be a reliable credit customer with a good reputation amongst its suppliers for prompt payment. As such, it would most likely pay up on time to the business and the business would have the cash for its daily operations. ✓

In addition, Sparkling Stones generates a high sales revenue of \$500 000 a year. With the generous credit limit of \$80 000 provided by Bling Bling Rocks, Sparkling Stones would be able to buy more inventory and increase its sales and profits leading to increased sales and profits for the former too. ✓

**Or**

No the business should not sell to Sparkling Stones. ✓

In ABC country, the average credit period averages 50 days, which is more than that offered by Bling Bling Rocks c 40 days. Therefore, it is likely that Sparkling Stones would not be able to pay up on time if Bling Bling Rocks sells on credit to the former. As a result the business would not have the cash promptly for its daily operations. ✓

Besides, gemstones is considered a luxury item in ABC country which only the wealthy could afford. This could limit growth of new and recurring sales in the long run as it is not considered a form of necessity for the majority of the population. As such, the business might not want to sell to Sparkling Stones due to the unstable nature of its business in the long run. ✓

Each ✓ = 1 mark

Accept other plausible answers

**Total: 5 marks**