







PRELIMINARY	EXAMINATION 2022		40
Class		Index Number	
Candidate Name			

**SECONDARY 4 EXPRESS / 5 NORMAL ACADEMIC** PRINCIPLES OF ACCOUNTS PAPER 1 Date: 16 August 2022

7087/01

**Duration: 1 Hour** 

Candidates answer on the Question Paper. No Additional Materials are required.

#### **READ THESE INSTRUCTIONS FIRST**

Write your name, class and index number 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, glue or correction tape/fluid.

Answer all questions.

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

Set by: Mr Nalpon Walter Edgar Vetted by: Ms Natalie Kwok

### Answer all questions.

- 1 Percilla discovered the following errors after preparing the trial balance for the year ended 31 December 2021.
  - 1 Motor vehicle repairs of \$580 had been recorded in the motor vehicles account.
  - 2 Interest income of \$130 received by cheque had been recorded in the books as \$310.
  - 3 Percilla took \$300 worth of cash from the business office for her personal use. This has not been recorded in the books.

The statement of financial performance for the year ended 31 December 2021 showed a profit of \$7 350 before discovering the errors.

#### **REQUIRED**

(a)

Prepare the journal entries to correct the errors above. Narrations <b>are</b> required.
Journal

[6]

(b)	Explain <b>two</b> purposes of preparing a trial balance.
	1
	2
	[2]
(c)	Using an accounting theory, explain why Percilla should record the \$300 cash she took from the business office for personal use.
	[2]
(d)	Prepare a statement to show the adjusted profit for the year ended 31 December 2021
	Percilla's business
	Statement to show adjusted profit for the year ended 31 December 2021
	[3]

[Total: 13]

- 2 Sane owns a business which sells flowers. The following transactions took place during May 2021 with a credit supplier, Vivian.
  - May 1 Sane's business owed Vivian \$2 500.
    - Purchased goods at a list price of \$900 from Vivian, with a trade discount of 20%.
    - 10 Returned goods at a list price of \$100 to Vivian. These goods were purchased on 7 May.
    - 24 Issued a cheque of \$3 000 to Vivian in full settlement of the amount owing on this date.

#### **REQUIRED**

(a)	Prepare Vivian's account in Sane's books for the month of May 2021.
	Vivian's account
	[4]
(b)	Name the source document used to record the transactions on 7 and 10 May 2021.
	7 May
	10 May
	[2]

(c)	Explain the difference between a cash transaction and a credit transaction.	
	[2]	
at b	on receiving the bank statement for the month of May 2021, Sane noticed that the cash ank balance in the bank statement was different from the cash at bank balance in his iness books.	
RE	QUIRED	
(d)	Explain <b>one</b> reason why the cash at bank balance in the bank statement could be different from the cash at bank balance in his business books.	
	[1]	
(e)	State <b>two</b> purposes of internal control.	
	1	
	2	
	[2]	
(f)	Name <b>two</b> types of internal controls over cash.	
	1	
	[2]	

[Total: 13]

3	On 1 May 2020	, Omar Pte Ltd provided the following account balance.

Allowance for impairment of trade receivables \$ 1 000

On 19 November 2020, one of Omar Pte Ltd's credit customers, Shafiq, who owed \$2 000 was declared bankrupt and was only able to pay 40 cents for every dollar owed. On the same day, Shafiq issued a cheque to Omar Pte Ltd.

Omar Pte Ltd reviews its list of trade receivables at the end of every financial year and estimates that 5% of its trade receivables is likely to be uncollectible. The trade receivables balance as at financial year ended 30 April 2021 was \$11 000.

#### **REQUIRED**

(a)	Prepare the journal entries to record the transactions on 19 November 2020 and 30 April 2021. Narrations are <b>not</b> required.			
	Journal			

(b)	rece	e the effect on profit for the year if the allowance for impairment of trade eivables was <b>not</b> adjusted on 30 April 2021. Write either the word ' <b>overstated</b> ' or <b>derstated</b> '.
		[1]
(c)		te <b>two</b> advantages of setting up a private limited company compared to setting up ble proprietorship.
	1	
	-	
	-	
	<u>.</u>	
	2	
	-	
	•	
	-	
	. <del>.</del>	[2]

[Total: 7]

4	Indra provided the following balances from her business books for the financial year ended
	30 September 2021.

	\$
Office equipment	12 500
Trade receivables	3 300
Trade payables	6 600
Prepaid rent	7 000
Cash at bank	7 100
Commission received in advance	5 000
Cash in hand	480
Inventory	9 900
Mortgage loan	10 000

# REQUIRED

(a)	Calculate the working capital as at 30 September 2021. Show your workings clearly.		
		[1]	
(h)	Calculate the net assets as at 30 September 2021. Show your workings clearly.		
(D)	Calculate the fiel assets as at 30 September 2021. Show your workings clearly.		
		[1]	

Current ratio

Quick ratio (Acid test ratio)

Indra also provided the following ratios for the financial years ended 30 September 2020 and 2021.

2.12

0.87

30 September 2020

30 September 2021

2.39

0.94

	,		
REC	REQUIRED		
(c)	Comment on the liquidity of Indra's business over the <b>two</b> years ended 30 September 2020 and 2021.		

[Total: 7]

[5]

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