

聖嬰中學

HOLY INNOCENTS' HIGH SCHOOL

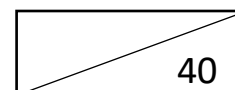


Candidate Name

Class

Index Number

**PRELIMINARY EXAMINATION 2022**  
**SECONDARY 4 EXPRESS / 5 NORMAL ACADEMIC**  
**PRINCIPLES OF ACCOUNTS**  
**PAPER 1**



**7087/01**

**Date: 16 August 2022**

**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

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*This document consists of 9 printed pages (including cover page) and 1 blank page.*

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

**(a)** Prepare the journal entries to correct the errors above. Narrations **are** required.

[illegible]

(b) Explain **two** 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

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
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 \_\_\_\_\_  
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[3]

**[Total: 13]**

- ## REQUIRED

Vivian's account

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[4]

7 May \_\_\_\_\_

10 May \_\_\_\_\_

[2]

- (c) Explain the difference between a cash transaction and a credit transaction.

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.....

[2]

Upon receiving the bank statement for the month of May 2021, Sane noticed that the cash at bank balance in the bank statement was different from the cash at bank balance in his business books.

### REQUIRED

- (d) Explain **one** reason why the cash at bank balance in the bank statement could be different from the cash at bank balance in his business books.

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.....

.....

[1]

- (e) State **two** purposes of internal control.

1 .....

2 .....

[2]

- (f) Name **two** types of internal controls over cash.

1 .....

2 .....

[2]

[Total: 13]



- (b) State the effect on profit for the year if the allowance for impairment of trade receivables was **not** adjusted on 30 April 2021. Write either the word '**overstated**' or '**understated**'.

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[1]

- (c) State **two** advantages of setting up a private limited company compared to setting up a sole proprietorship.

1 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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[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.

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[1]

- (b)** Calculate the net assets as at 30 September 2021. Show your workings clearly.

[1]



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

	30 September 2020	30 September 2021
Current ratio	2.12	2.39
Quick ratio (Acid test ratio)	0.87	0.94

## REQUIRED

- (c)** Comment on the liquidity of Indra's business over the **two** years ended 30 September 2020 and 2021.

[illegible]

[5]

**[Total: 7]**

**END OF PAPER**

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