

**ANDERSON SECONDARY SCHOOL**  
**Preliminary Examination 2022**  
**Secondary Five Normal Academic**



CANDIDATE NAME:

CLASS:

INDEX NUMBER:

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**PRINCIPLES OF ACCOUNTS**

**7087/01**

Paper 1

**25 August 2022**

**1 hour**

Candidates answer on the Question Paper.

**1100 – 1200h**

No Additional Materials are required.

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**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 on both sides of the paper.  
Do not use staples, paper clips, highlighters, glue or correction fluid/tape.  
The use of an approved calculator is allowed.

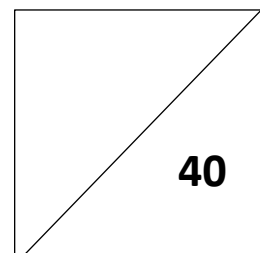
Answer **all** the questions.

Where layouts are to be completed, you may not need all the lines for your answers.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

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



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This document consists of **10** printed pages.

Setter: Mdm June Liao

Answer **all** questions.

- 1 On 1 October 2020, Alexander Pte Ltd provided the following balances.

	\$
Trade receivables	34 500
Allowance for impairment of trade receivables account	3 450

The following transactions took place during the financial year ended 30 September 2021.

- On 10 August 2021, Jacky Trading, a credit customer who owed \$3 500, was declared bankrupt and a final payment of 20% was received by cheque. The remainder was written off.
- On 30 September 2021, the trade receivables balance was \$22 700. Alexander Pte Ltd maintains an allowance for impairment of trade receivables at 10% of the trade receivables balance at the end of every financial year.

### REQUIRED

- (a) Explain the following terms:

(i) trade receivables [1]

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(ii) allowance for impairment of trade receivables [1]

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- (b) Name and explain the accounting theory applied when recording allowance for impairment of trade receivables. [2]

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- (c) Prepare the journal entries to record the transaction on 10 August 2021. Narrations are **not** required. [3]

Journal

Date	Particulars	Dr \$	Cr \$

- (d) Prepare the journal entries to record the change in allowance for impairment of trade receivables on 30 September 2021. Narrations are **not** required. [2]

Journal

Date	Particulars	Dr \$	Cr \$

[Total: 9]

**2** Gabriel owns a business providing wellness therapy services.

The following information was provided:

1. On 1 June 2021, service fee revenue receivables account balance was \$8 800.
2. During the year ended 31 May 2022, service fee revenue received totalled \$88 600.
3. On 31 May 2022, \$5 600 of service fee revenue was received in advance.

**REQUIRED**

- (a)** Explain the difference between a trading business and a service business. [2]

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- (b)** Prepare the journal entry to adjust service fee revenue received in advance on 31 May 2022. A narration is **not** required. [2]

Journal

Date	Particulars	Dr	Cr
		\$	\$

- (c)** Calculate the service fee revenue earned for the year ended 31 May 2022. [1]

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- (d)** Explain the revenue recognition theory. [1]

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On 1 June 2021, Gabriel's business started to rent a shop for \$5 500 per month.  
For the year ended 31 May 2022, the business paid \$71 500 in cheques for rental expense.

**REQUIRED**

- (e) Calculate the rental expense incurred for the year ended 31 May 2022. [1]

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- (f) State the **name of the account** and the **amount** to be shown in the statement of financial position as at 31 May 2022. State if the item is a '**Current Asset**' or '**Current Liability**'. [3]

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[Total: 10]

- 3 On 1 April 2021, John Bakery took up a \$100 000 loan from Best Bank. The loan is repayable over 5 years and the interest rate on the outstanding amount is 4% per annum. Both the repayment of the loan and payment of interest are to be made every six months on 30 September and 31 March. The first repayment of the loan and interest was made on 30 September 2021. John Bakery's financial year ends on 31 December each year.

**REQUIRED**

- (a) Prepare journal entries to record interest for the year ended 31 December 2021, including the closing entries. Narrations are **not** required. [6]

Journal

Date	Particulars	Dr \$	Cr \$

- (b) Prepare an extract of the statement of financial performance for the year ended 31 December 2021 to show the expenses section. [1]

John Bakery

Extract of Statement of Financial Performance for the year ended 31 December 2021

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- (c) Prepare an extract of the statement of financial position as at 31 December 2021 to show the liabilities section. [3]

John Bakery

Extract of Statement of Financial Position as at 31 December 2021

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- (d) State the accounting theory behind the adjustment for interest expense payable. [1]

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**[Total: 11]**

- 4 Shahid sells machine tools. Details from the cash at bank account and the bank statement for the business for the month of January 2022 are as follows.

Cash at bank					
Date	Particulars	Cheque number	Debit	Credit	Balance
2022			\$	\$	\$
Jan 1	Balance b/d				2 500 Dr
5	Capital		5 000		7 500 Dr
7	Sales revenue		500		8 000 Dr
16	Trade payable - Jasmine	6564		800	7 200 Dr
19	Inventory	6565		1 200	6 000 Dr
23	Cash in hand			100	5 900 Dr
24	Trade payable - Edward	6566		260	5 640 Dr
25	Trade receivable - Indra		400		6 040 Dr
30	Trade receivable - Ken		1 150		7 190 Dr

Bank statement				
Date		Payments	Receipts	Balance
2022		\$	\$	\$
Jan 1	Balance b/d			2 900 Cr
2	Cheque 6563	400		2 500 Cr
4	Standing order - Insurance	600		1 900 Cr
5	Cash		5 000	6 900 Cr
9	Cash		500	7 400 Cr
19	Cheque 6564	800		6 600 Cr
22	Cheque 6565	1 200		5 400 Cr
23	Cash withdrawal	100		5 300 Cr
26	Cheque		400	5 700 Cr
28	Credit transfer – Commission income		230	5 930 Cr
30	Dishonoured cheque	400		5 530 Cr



**REQUIRED**

**(a)** Interpret the entries in the cash at bank account.

**(i)** 19 January 2022 [1]

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**(ii)** 23 January 2022 [1]

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**(b)** Prepare the adjusted cash at bank account for January 2022. [4]

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**(c)** Prepare a bank reconciliation statement as at 31 January 2022.

[4]

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**END OF PAPER**

**[Total: 10]**