

**Chung Cheng High School (Yishun)**  
**Preliminary Examination 2024**  
**Principles of Accounts Paper 1 (7086/01)**  
**Secondary 4NA**  
**Suggested answers and marking scheme**

**Question 1**

**(a)**

Accounting is an information system that provides accounting information for stakeholders to make informed decisions **[1]** regarding the management of resources and performance of businesses.

[1m]

**(b)** Any one professional ethics below

**Integrity [1]** – being straightforward and honest in all professional and business relationships. **[1]**

**Objectivity (Is objective) [1]** – will not let bias, conflict of interest or undue influence of others override his or her professional judgement. **[1]**

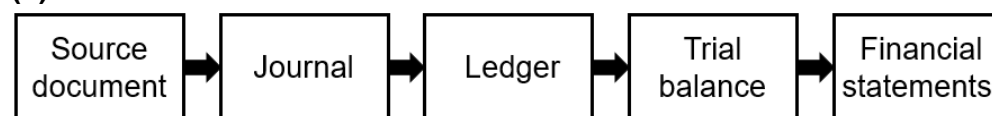
[2m]

**(c)** Any feature below **[1]**

Feature	Sole proprietorship
Capital structure	
Ownership	Owned by one person who contributes capital to set up.
Access to funds	Less likely for banks and other lenders to lend money due to lack of personal assets as collaterals. Funds are usually limited to personal funds of the owner.
Extent of liability	
Risk	When the business incurs debts and losses, the sole proprietor is obliged to pay them using personal assets.
Management of business	
Level of control	The sole proprietor runs the business and has absolute control over it. He may hire professionals to help him.
Lifespan	The business exists as long as the owner is alive and desires to continue operation.
Transferability of ownership	The sole proprietor can easily update the particulars of the new owner to notify the corporate regulatory authority of the transfer of ownership.
Formalities and procedures	The business has minimal administrative duties to adhere to.

[1m]

**(d)**



[1]

[1]

[2m]

(e) Only business transactions that can be measured in monetary terms are recorded. [1] [1m]

(f)

	Transaction	Source document	[m]
(i)	Cash sales of goods	Receipt / bank statement	1
(ii)	Returns from credit purchase	Credit note	1
(iii)	Bank charges	Bank statement	1

[3m]

**[Total: 10m]**

## Question 2

(a) Assets = Liabilities + Owner's Equity [1] [1m]

(b)

4 500 + 9 200 + 68 200 [1] = 10 900 + 60 000 [1] + Capital  
 81 900 = 70 900 + capital  
 Capital = \$11 000 [1]

[3m]

(c)

### Journal

Date 2023	Particulars	Debit \$	Credit \$	[m]
Jan 15	Office equipment	3 500		1
	Capital		3 500	1
	Justin / Owner contributed his personal computer worth \$3 500 for office use.			1

[3m]

(d)

**Drawings** – owner withdrew assets from the business for his own use. [1] [1m]

(e)

.		Effects on		
	Transaction	Assets	Liabilities	Owner's Equity
<i>E.g.</i>	<i>Justin contributed \$3 000 cash into the business.</i>	<i>Cash at bank + \$3 000</i>	<i>No effect</i>	<i>Capital + \$3 000</i>
(i)	The business bought goods worth \$1 000 on credit from Chung Cheng Trading.	Inventory + \$1 000 [1]	Chung Cheng Trading, Trade payable + \$1 000 [1]	No effect

[2m]

(f) Any 2 reasons

- drawings by owner for his own use
- additional capital contributed by owner
- profit / loss for the year

[2m]

[Total: 12m]

### Question 3

(a)

#### Journal

Date 2024	Particulars	Debit \$	Credit \$	[m]
Feb 28	Cash at bank	30 000		1
	Commission income		30 000	1
Feb 28	Commission income receivable	6 000		1
	Commission income		6 000	1
Feb 28	Commission income	36 000		1
	Income summary		36 000	1

[6m]

(b)

\$36 000 [1]

[1m]

(c)

Current assets [1]

[1m]

[Total: 8m]

### Question 4

(a)

The method used to depreciate machinery is the straight-line method. [1]

(b)

Depreciation expense = Rate of depreciation (%) x Cost

Rate of depreciation (%) x 60 000 = 6 000

Rate of depreciation = (6 000 / 60 000) x 100  
= 10% [1]

[1m]

(c)

According to the **matching theory** [1], expenses incurred must be matched against the income earned in the same period to determine the profit for the period.

As the non-current assets are being used to generate income, depreciation expense should be matched to the income earned in the same period to determine the profit for the period. [1]

[2m]

(d) Any one difference

Capital Expenditure	Revenue Expenditure	[m]
• Costs to <b>buy and bring</b> the non-current asset <b>to</b> working condition (their intended use).	• Costs to <b>repair and maintain</b> the non-current asset <b>in</b> working condition.	2
• Costs to <b>enhance</b> the non-current assets.	• Costs to <b>operate</b> the non-current assets.	2
• Provides benefits for <b>more than one</b> year.	• Provides benefits for <b>less than one</b> year (used within one year).	2

[2m]

(e)

	Capital expenditure	Revenue expenditure	[m]
Cost of new machinery	✓		1
Delivery fees for the machinery	✓		1
Repairs and maintenance of machinery		✓	1

[3m]

(f)

Profit will be understated. [1]

[1m]

[Total: 10m]