

**HILLGROVE SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024
SECONDARY FOUR (EXPRESS)
/ FIVE (NORMAL ACADEMIC)**

CANDIDATE
NAME

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CLASS

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CENTRE
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PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

21 Aug 2024

Candidates answer on the Question Paper.

1 hour

No Additional Materials are required.

10.45 AM to 11.45 AM

READ THESE INSTRUCTIONS FIRST

Write in dark blue or black pen.

You may use an HB pencil for any rough working.

Do not use staples, paper clips, glue or correction fluid.

Answer **all** questions.

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

For Examiner's Use	
	Marks
1	
2	
3	
4	
TOTAL	

Parent's/ Guardian's Signature: _____

Setter: Mdm Grace Ang

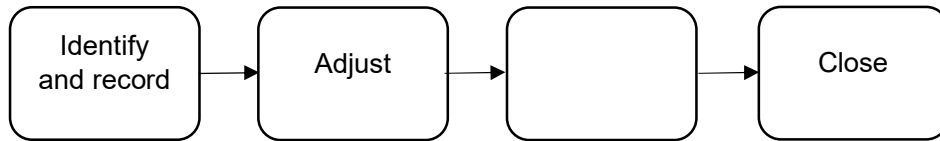
- 1 Aydyn Trading implements the accounting cycle and the accounting information system.

REQUIRED

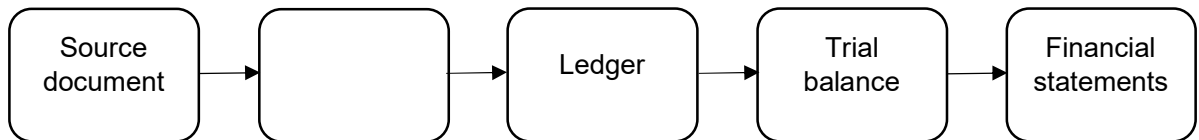
- (a) Fill in the blanks.

[2]

- (i) The accounting cycle



- (ii) The accounting information system



Aydy Trading realised that a credit customer had been undercharged.

REQUIRED

- (b) State the source document that Aydyn Trading should send to the credit customer to correct the undercharge.

[1]

Aydy Trading records transactions based on source documents.

REQUIRED

- (c) State and explain the accounting theory that the Aydyn Trading has been applying.

Accounting theory:

Explanation of accounting theory:

[2]

(d) Explain the extent of liability of shareholders of a private limited company.

[2]

(e) State the role of accounting.

[1]

[Total: 8]

- 2 Ming Yu's business prepares bank reconciliation at the end of each month as a form of internal control over its bank account.

REQUIRED

(a) State **one** purpose of internal control.

[1]

(b) State **one** other internal control that a business can have over its bank account.

[1]

(c) Explain the purpose of preparing bank reconciliation.

[1]

Ming Yu provided the cash at bank account in his books and the bank statement received for the month of June 2024.

Cash at Bank account

Date	Particulars	Cheque No.	Dr (\$)	Cr (\$)	Bal (\$)
2024					
Jun 1	Bal b/d				6 000 Dr
5	Sales revenue		3 400		
8	Leya	3053		8 000	
14	Neil Trading	3054		4 280	
17	Mindy		7 200		
19	Inventory	3055		900	
27	Insurance expense	3056		2 300	
29	Josh		4 500		
30	Keagen	3057		6 100	480 Cr

Bank Statement for the month of Jun 2024

Date	Transactions	Dr (\$)	Cr (\$)	Bal (\$)
2024				
Jun 1	Balance b/d			6 150 Cr
1	Cheque no. 3052	150		
5	Standing order – Rent	1 340		
7	Cheque deposit		3 400	
9	Cheque no. 3053	8 800		
11	Direct deposit – Commission		3 650	
16	Cheque no. 3054	4 280		
19	Cheque deposit		7 200	
21	Cheque no. 3055	900		
29	Cheque no. 3056	2 300		
30	Refer to drawer (Jun 19)	7 200		4 570 Dr

Ming Yu's accountant recorded cheque number 3053 wrongly in the books of the business.

REQUIRED

- (d) State **one** possible reason for the transaction recorded in the bank statement on 30 June 2024.

[1]

(e) Prepare the adjusted cash at bank ledger account and bring down the balance to 1 July 2024.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

[5]

(f) Prepare the bank reconciliation statement for the month ended 30 June 2024.

[illegible]

[3]

[Total: 12]

3 Aina provided the information about her business.

Motor Vehicles account				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2022				
Jan 1	Trade payable: Ives	60 000		60 000 Dr
2023				
Jan 1	Bal b/d			60 000 Dr
2024				
Jan 1	Bal b/d			60 000 Dr

Accumulated Depreciation: Motor Vehicles account				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2022				
Dec 31	Depreciation expense: Motor vehicles		24 000	24 000 Cr
2023				
Jan 1	Bal b/d			24 000 Cr
Dec 31	Depreciation expense: Motor vehicles		14 400	38 400 Cr
2024				
Jan 1	Bal b/d			38 400 Cr

REQUIRED

(a) Define 'accumulated depreciation'.

[1]

(b) State the method that Aina is using to depreciate her motor vehicles.

[1]

(c) Calculate the rate of depreciation that Aina is using to depreciate her motor vehicles.

[1]

(d) State the effect on the following if Aina did not record depreciation expense for her motor vehicles in 2023.

(i) Statement of financial performance

[1]

(ii) Statement of financial position

[2]

The business recently purchased a good quality hole puncher for \$20. However, Aina recorded the amount paid as stationery expense instead of office equipment even though the hole puncher can be used for a few years.

REQUIRED

(e) State and explain the accounting theory that Aina applied.

Accounting theory:

Explanation of accounting theory:

[2]

The business spent \$10 000 improving the interior of its shop to attract more customers. However, Aina recorded the amount spent as revenue expenditure instead of capital expenditure.

(f) State the effect of this error on the following.

(i) Profit for the year

[1]

(ii) Non-current assets

[1]

[Total: 10]

- 4 Nice Home and Chic Living are in the business of buying and selling furniture imported from Europe.

The following information regarding rate of inventory turnover is available.

Nice Home		Chic Living	
31 July 2022	31 July 2023	31 July 2022	31 July 2023
4.06 times	6.64 times	8.11 times	?

The following information about Chic Living is available.

	\$
Cost of sales for the year ended 31 July 2023	860 000
Inventory as at 31 July 2023	97 000
Inventory as at 31 July 2022	90 500

REQUIRED

- (a) Calculate Chic Living's rate of inventory turnover for the year ended 31 July 2023 (to **two** decimal places). Show **all** workings.

[2]

(b) Evaluate efficiency in inventory management for both businesses for both years.

[illegible]

[4]

(c) Suggest **one** reason for the trend in (b).

[1]

On 31 July 2024, a fire broke out in Chic Living's warehouse and destroyed inventory costing \$12 000.

On the same date, it was agreed with the insurance company that 90% of the loss was covered by insurance and Chic Living would receive compensation on 10 August 2024.

REQUIRED

(d) State the double entry with which Chic Living recorded the destruction of inventory and insurance claim on 31 July 2024

[3]

[Total: 10]