

Name: \_\_\_\_\_

Class: Sec \_\_\_\_\_

Index No.: \_\_\_\_\_

4E5N



**MERIDIAN SECONDARY SCHOOL  
PRELIMINARY EXAMINATION 2024**

**PRINCIPLES OF ACCOUNTS**

**Paper 2  
23 August 2024**

**7087/02**

**For Examiner's Use**

**SECONDARY 4 EXPRESS / 5 NORMAL (ACADEMIC)**

**Total Marks**

**2 hours**

Candidates answer on the Question Paper.

Additional Materials:      Insert

**READ THESE INSTRUCTIONS FIRST**

Write your name, class and index number in the spaces at the top of this page.

Write in dark blue or black pen.

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

The use of an approved calculator is allowed.

Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

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

The total number of marks for this paper is **60**.

This document consists of **14** printed pages and 1 insert.

**[Turn over**

**1 Refer to the Insert for data for Question 1.****REQUIRED**

- (a) Prepare the statement of financial performance for the year ended 31 December 2023.

Wong's Advertising  
Statement of Financial Performance for the year ended 31 December 2023

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DY is an investor who wishes to invest in a fashion business.

The following information on two businesses, Style Right and Fashion Dream, for the financial year ended 31 December 2023, was provided.

Both businesses sold goods on credit only.

	Style Right	Fashion Dream
	\$	\$
Sales revenue	320 000	440 000
Cost of sales	82 500	130 000
Average Trade receivables	70 000	30 000

- (c) (i) Calculate the rate of trade receivables turnover and trade receivables collection period for Fashion Dream. Show your answer to two decimal places.

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.....[2]

	Style Right	Fashion Dream
Rate of trade receivables turnover	4.57 times	?
Trade receivables collection period	79.84 days	?

- (ii) Comment on the management of the trade receivables between both businesses.

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	\$
Issued share capital, 60 000 shares	120 000
Retained earnings	37 700

Dec 31 Profit for the year was \$88 190.

(a) Prepare the retained earnings account for the financial year ended 31 December 2023.

[3]

**(b)** Prepare the journal entries to record the shares issued on 1 January 2024. Narration is not required.

**MSS 4E/5NA Preliminary Examinations 2024**  
**Principles of Accounts (7087/02)**



(c) Define the following. [2]

(i) Retained earnings

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(ii) Dividends

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(d) Explain the following accounting theories.

(i) Monetary

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.....[1]

(ii) Going concern

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**[Total: 9]**

- 4** Henry Trading buys and sells sport shoes. On 1 April 2024, Henry Trading has a beginning inventory of 200 pairs of shoes costing \$30 000.

During the month of April 2024, the following transactions occurred:

2024

Apr 4 Bought 200 pairs of shoes costing \$40 000 from Ken Group on credit.

10 Sold 200 pairs of shoes for \$60 000.

15 Bought 150 pairs of shoes and issued a cheque of \$15 000 for payment.

- (a)** Define what FIFO stands for and explain how it is used in the valuation of inventory.

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- (b)** Prepare the inventory account for the month of April in 2024.

Inventory account

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- (c) Calculate the gross profit for the month of April in 2024.

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Sales were not good and the ending inventory could only be sold for \$11 000.

Financial year ends on 31 December every year.

- (d) (i) Prepare the adjustments on 31 December 2024.

Journal			
Date		Debit \$	Credit \$
2024			

[2]

- (ii) State the effect on profit and current asset if the inventory was not adjusted.

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.....[2]

[illegible]This image shows a single 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.

[Total: 19]

## Additional page

This image shows a full page of primary-ruled paper. It features multiple horizontal rows, each defined by two parallel dotted lines. The rows are evenly spaced across the entire page, providing a guide for handwriting practice. There are no margins, text, or other markings present.

**[Turn over**

## Additional page

This image shows a full page of white paper with horizontal dashed lines, typical of primary school writing paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.