

Name: _____

Index Number: _____

Class: _____



TEMASEK SECONDARY SCHOOL

Preliminary Examination 2024

Secondary Five Normal Academic

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

1 hour

Question and Answer Booklet

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Do not open the booklet until you are told to do so.

You are required to submit this booklet at the end of the paper.

Write your name, index number and class on all the work you hand in.

Write in dark blue or black pen.

You may use a HB pencil for any rough working.

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

Answer **all** questions.

You may use a calculator.

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

The businesses mentioned in this question paper are fictitious.

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

This document consists of **9** printed pages and **1** blank page.

- 1 Amirul is a trader who gives 10% trade discount to all his customers. He has provided the following account for the month ended 31 July 2024:

Zaiton's account

Date	Particulars	Debit \$	Credit \$	Balance \$
2024				
July 1	Balance b/d			3 000 Dr
5	Sales revenue	3 960		6 960 Dr
14	Cash at bank		2 850	4 110 Dr
14	Discount allowed		150	3 960 Dr
17	Cash at bank	2 850		6 810 Dr
17	Discount allowed	150		6 960 Dr
25	Allowance for impairment of trade receivables		6 960	-

REQUIRED

- (a) Compute the list price of the goods that were sold to Zaiton on 5 July 2024.

[1]

- (b) Compute the percentage of discount given to Zaiton on 14 July 2024.

[1]

- (c) Interpret the entries in Zaiton's account on:

- (i) 17 July 2024

[2]

(ii) 25 July 2024

.....

.....

..... [1]

(d) Name and explain the accounting theory which was applied when the entry on 25 July 2024 was recorded in the books.

Name:

Explanation:

.....

.....

..... [2]

(e) State the effect on profit if the entry on 25 July 2024 had not been made.

.....

..... [1]

[Total: 8]

- 2 Bodie runs a trading business with a financial year end of 30 June. He extracted the following information from his accounting books on 1 July 2023:

	\$
Motor vehicles	100 000
Accumulated depreciation of motor vehicles	38 000

On 4 January 2024, the business sold a delivery van, costing \$23 000, and received a cheque of \$10 000. The delivery van was purchased on 9 August 2021.

Bodie contributed his own motorcycle valued at \$15 000 into the business on 8 May 2024.

The business depreciates motor vehicles using the reducing-balance method of depreciation at 20% per annum. A full year depreciation is charged in the year of purchase but none in the year of sale.

REQUIRED

- (a) Explain why Bodie used the reducing-balance rather than the straight-line method to depreciate its motor vehicles.

.....

.....

.....

[1]

- (b) Prepare the journal entry to record the sale of the delivery van on 4 January 2024. A narration is **not** required.

	Debit \$	Credit \$

[4]

- (c) Calculate the depreciation expense for the year ended 30 June 2024.

[2]

- (d) Prepare an extract of the statement of financial position as at 30 June 2024, showing the non-current assets section.

Extract of statement of financial position as at 30 June 2024

[3]

[Total: 10]

- 3 Chong is a trader and uses the First-In-First-Out (FIFO) method of inventory valuation. The following transactions took place for the year ended 31 August 2024.

2023

Sep 1 Beginning inventory of 10 units at \$500

Nov 8 Purchased 10 units at \$580

Dec 12 Sold 10 units for \$900

2024

Feb 1 Purchased 20 units at \$1 320

May 4 Sold 10 units for \$880

REQUIRED

- (a) Compute the following for Chong's business for the financial year ended 31 August 2024.

- (i) Cost of sales

[1]

- (ii) Gross profit

[2]

Chong also provided information about the business' days sales in inventory for the two years ended 31 August 2022 and 2023.

31 August 2022	31 August 2023
290.32 days	298.87 days

REQUIRED

- (b) Calculate the days sales in inventory for the year ended 31 August 2024. Show your answer to **two** decimal places.

[2]

- (c)** Comment on the trend in days sales in inventory for Chong's business over the **three** years ended 31 August 2022, 2023 and 2024. Suggest possible reasons for the change.

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[5]

- (d)** Suggest **two** ways in which Chong could improve the business' efficiency in managing inventory. Give **one** example of a specific action Chong could take.

[3]

[Total: 13]

- 4 The following information has been provided for Don's business for the two years ended 30 June 2023 and 30 June 2024.

	30 June 2023	30 June 2024
	\$	\$
Cash at bank	8 500	-
Bank overdraft	-	10 800
Income received in advance	800	2 300
Trade receivables	41 700	52 400
Allowance for impairment of trade receivables	834	1 048
Inventory at cost	40 400	82 800
Prepaid expenses	800	250
Trade payables	35 900	45 700
Expenses payable	5 600	3 600

REQUIRED

- (a) Calculate the following to **two** decimal places:

		30 June 2023	30 June 2024
(i)	Current ratio		
(ii)	Quick ratio		

[4]

- (b)** Evaluate the change in liquidity of Don's business between 30 June 2023 and 30 June 2024.

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[5]

[Total: 9]

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