



ZHONGHUA SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024
SECONDARY 5 NORMAL ACADEMIC

Candidate Name

Class

Register Number

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PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

28 August 2024

1 hour

READ THESE INSTRUCTIONS FIRST

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

Write in dark blue or black pen on both sides of the paper.

You may use a soft pencil for any rough working.

Do not use paper clips, glue or correction fluid.

Answer **all** questions.

You may use a calculator.

The businesses mentioned in this question paper are entirely fictitious.

Where the columnar format is used, the running balance column should be updated for the first and last entries. Where applicable, the balance should be brought down to the next financial year.

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.

| For examiner's Use: | |
|---------------------|-------|
| Question | Score |
| 1 | / 15 |
| 2 | / 9 |
| 3 | / 16 |
| Total | / 40 |

Setter: Mr John Kok

Vetters: Ms Teo Jing Zhi & Ms Destiny See

Answer **all** questions.

1 Tylo Ltd buys and sells sunglasses. Its financial year ends on 31 March.

REQUIRED

(a) State the first step in the manual accounting information system.

.....[1]

(b) State and explain the accounting concept that makes the first step of the accounting information system a requirement.

..... [2]

(c) Tylo Ltd, being the pioneer in the industry, wants to record its reputation as an asset, as people associate Tylo Ltd with sunglasses. As an accountant of Tylo Ltd, state and explain, with reference to an accounting theory why this should not be done.

..... [2]

After preparing the statement of financial performance for the year ended 31 March 2024, the accountant of Tylo Ltd found the following errors.

- 1 Cheques paid to Jackson LLP was debited to Jason Ltd amounting to \$2 000.
- 2 A cheque of \$400 was received from Lim Pte Ltd in full settlement of an outstanding amount of \$450. The discount was missed out in the records.
- 3 A commission income of \$700 by cheque was debited to the commission income account and credited to the cash at bank account.

The loss for the year before the discovering of the errors was \$522.

- (d)** Prepare journal entries to correct for each of the above errors. Narrations are **not** required.

General Journal

..... [6]

(e) Prepare a statement to show the adjusted profit for the year ended 31 March 2024.

..... [4]

[Total: 15]

- 2 Chic Co, a business owned by Glenda, selling computers, had the following balances in the inventory account as at 30 April 2024.

| Inventory account | | | | |
|-------------------|--------------|--------|--------|------------|
| Date | Particulars | Debit | Credit | Balance |
| | | \$ | \$ | \$ |
| 2023 | | | | |
| May 1 | Balance b/d | | | 60 000 Dr |
| May 21 | Hipster & Co | 35 000 | | 95 000 Dr |
| Jul 8 | Cash at bank | 2 000 | | 97 000 Dr |
| Aug 31 | Advertising | | 3 000 | 94 000 Dr |
| Sep 11 | Cost of sale | | 10 000 | 84 000 Dr |
| Nov 12 | Flora Prints | 42 000 | | 126 000 Dr |
| 2024 | | | | |
| Jan 22 | Cost of sale | | 25 000 | 101 000 Dr |
| Feb 8 | Cost of sale | | 48 000 | 53 000 Dr |
| Mar 12 | Drawings | 1 000 | | 54 000 Dr |
| | | | | |
| May 1 | Balance b/d | | | 54 000 Dr |

REQUIRED

- (a) Interpret the transactions that took place on the following dates.

- (i) May 21

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 [1]

- (ii) August 31

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 [1]

- (b) Identifying **one** error in the inventory account entries and explain why it is an error.

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..... [2]

- (c) Calculate the inventory level on 30 April 2024 after correcting for the error in (b).

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..... [1]

- (d) Calculate the cost of sales and hence the day sales in inventory for the year ended 30 April 2024.

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..... [3]

- (e) Briefly describe what does the answer to (d) mean.

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..... [1]

- 3 On 1 October 2021, Highway Trading took up a bank loan of \$40 000. The loan is to be repaid equally over ten years. Interest is charged at 5% per annum.

The loan instalment and interest are to be repaid on 30 September every year by bank transfer.

On 1 April 2023, Highway Trading who is in need for cash took up another loan of \$20 000. This loan is to be repaid over five years. Interest is charged at 6% per annum.

The instalment and interest for this loan are to be repaid on 31 March every year by bank transfer.

Highway Trading has a financial year ending on 31 December.

REQUIRED

- (a) Prepare the interest expense account for the financial years ending 31 December 2022 and 2023.

Interest expense

[8]

- (b) Prepare an extract of the statement of financial position as at 31 December 2023, **showing only the liabilities sections.**

Highway Trading

Statement of financial position as at 31 December 2023 (extract)

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..... [5]

- (c) In July 2024, Highway Trading has been facing financial challenges. Explain using an accounting theory, why the company still need to prepare yearly financial records despite the financial difficulties they are facing.

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..... [3]

[Total: 16]