Candidate Name: _____ Class | Index No.

**FUHUA SECONDARY SCHOOL**

Secondary Four Express
Secondary Five Normal (Academic)

Preliminary Examination 2023

**4E/5N**

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# PRINCIPLES OF ACCOUNTS 7087/01

Paper 1

Candidates answer on the Question Paper.
No additional materials are required.

**DATE** **28 August 2023**
**TIME** **1115 – 1215**
**DURATION** **1 hour**

**READ THESE INSTRUCTIONS FIRST**

Write your class, index number and name in the spaces at the top of the page.
Write in dark blue or black pen.
You may use an HB pencil for any rough workings.
Do not use staples, paper clips, glue or correction fluid.
The use of an approved calculator is allowed.

Answer **all** the questions.

The businesses described in this question paper are entirely fictitious.

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

| PARENT'S SIGNATURE | FOR EXAMINER'S USE |
|---|---|
| | / 40 marks |

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

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Answer **all** questions.

1 Desiree wants to find out more information about business and accounting as she opens her own brownie store.

**REQUIRED**

**(a)** State the double entry to be recorded when an owner uses her personal cheque to pay for the business' rental expenses.

| Account to be debited | Account to be credited |
|---|---|
| | |

[2]

**(b)** State and explain the accounting theory applied in the preparation of financial statements.

.....

.....

[2]

**(c)** Explain **one** professional ethics of accountants.

.....

.....

[2]

**(d)** State the source documents used for the following transactions.

| Transaction details | Source document used |
|---|---|
| Sold goods on credit | |
| Increase amount previously undercharged to a credit customer | |

[2]

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The following account was presented in the first month of the business.

| Drawings | | | | |
|---|---|---|---|---|
| Date 2021 | | Debit $ | Credit $ | Balance $ |
| Sep 1 | Cash at bank | 10 000 | | 10 000 DR |
| Sep 19 | Motor vehicle | 18 000 | | 28 000 DR |

**(e)** Interpret the entries on 1 September and 19 September.

1 Sep .....

19 Sep ..... [2]

**[Total: 10]**

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2 Christian is reviewing how to better protect the cash kept in the office.

**REQUIRED**

**(a)** Explain **two** internal controls.

.....

.....

..... [4]

**(b)** Explain **two** reasons why a business needs to have internal controls.

.....

.....

..... [2]

**(c)** Define the monetary concept.

.....

..... [1]

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The following information was available from the business.

| Cash at bank | | | | |
|---|---|---|---|---|
| Date 2022 | | Debit $ | Credit $ | Balance $ |
| Jun 1 | Balance b/d | | | 15 000 DR |
| Jun 13 | Trade receivable – Zola | 3 400 | | 18 400 DR |
| Jun 17 | Cash in hand | | 100 | 18 300 DR |
| Jun 25 | Trade receivable – Zola | | 3 400 | 14 900 DR |
| | | | | |
| Jul 1 | Balance b/d | | | 14 900 DR |

**(d)** Interpret the transactions on 17 June and 25 June.

17 Jun .....

25 Jun .....

..... [2]

**[Total: 9]**

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3 Stacy was reviewing the accounts in her trial balance when she found the following errors.

1 Business recorded commission income received through cheque, $400, by debiting the commission income account and crediting the cash at bank account.
2 Sale of goods on credit to Matt, $3 000 was omitted. The original cost of goods was $1 750.

The unadjusted profit for the year was $13 000.

**REQUIRED**

**(a)** Prepare the journal entries to correct the errors for the year ended 31 December 2022. Narrations are **not** required.

Journal

| | Date 2022 | | Debit $ | Credit $ |
|---|---|---|---|---|
| 1 | Dec 31 | | | |
| | | | | |
| 2 | Dec 31 | | | |
| | | | | |
| | Dec 31 | | | |
| | | | | |

[6]

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**(b)** Prepare the statement to show adjusted profit for the year ended 31 December 2022.

| | |
|---|---|
| | $ |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

**[6]**

**[Total: 12]**

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**4** Mason provided the following information about the business.

| | 2021 | 2022 |
|---|---|---|
| Rate of inventory turnover (times) | 3.40 | 2.78 |
| Days sales in inventory (days) | 55 | 63 |

**(a)** Evaluate the inventory turnover of the business over the two years.

.....

.....

.....

.....

..... [5]

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**(b)** The following transactions occurred in the month of May 2021.

| Date | Transactions |
|---|---|
| 2021 | |
| May 4 | Bought goods worth $5 000 from credit supplier, Jack. The business received a 10% trade discount. |
| May 13 | Returned goods bought on 4 May due to wrong specification. The original list price was $500. |
| May 20 | Paid amount owing to Jack using cheque and received a 10% cash discount. |

Prepare the journal entries to record the transactions on 20 May. Narrations are **not** required.

Journal

| Date 2021 | | Debit $ | Credit $ |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

[4]

**[Total: 9]**

**END OF PAPER**

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