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TAMPINES SECONDARY SCHOOL

Secondary Four Express and Five (Normal Academic)
PRELIMINARY EXAMINATION 2023

NAME					
CLASS				**REGISTER NUMBER**	

PRINCIPLES OF ACCOUNTS **7087/01**

Paper 1 **13 September 2023**

1 hour

Candidates answer on the Question Paper.

No Additional Materials are required.

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.
You may use an HB pencil for any rough working.
Do not use staples, paper clips, glue or correction fluid.
The use of an approved calculator is allowed.

For Examiner's Use

Answer **all** 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.

[Turn over

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Answer **all** questions.

1 Shirley is a sole trader. After preparing the accounts for the year ended 31 December 2022, she discovered the following errors.

1 Credit sales of $2 500 to Ling Ling was recorded in Ming Ming's account.
2 Receipt of $300 cheque for commission income has been debited to the commission income account and credited to the cash at bank account.
3 $120 of utilities paid by cheque was recorded as $102 in both accounts.
4 Purchase of a delivery van for business use for $80 000 has been recorded in the fixtures and fittings account.

The statement of financial performance for the year ended 31 December 2022 showed a profit of $12 360 before the errors were discovered.

REQUIRED

(a) Prepare the journal entries to correct errors 1 and 2. Narrations are **not** required.

		Debit $	Credit $
Error 1			
Error 2			

[4]

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

Shirley
Statement to show adjusted profit
for the year ended 31 December 2022

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……..[3]

[Total: 7]

[Turn over

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2 Carrie set up Flora Cosmetics on 1 April 2020.

The opening balances were as follows.

	$
Fixtures and fittings	22 500
Office equipment	4 000
Inventory	20 100
Trade payables	15 600
Cash at bank	9 200 Dr
Prepaid cleaning expense	1 800
Long-term bank loan	10 000

REQUIRED

(a) Complete the following table by naming the source document that would be used to record each transaction (i) to (iii).

	Transaction	Source document
(i)	Interest expense on bank overdraft.	
(ii)	Purchase inventory on credit.	
(iii)	Correct an undercharge for sales made to a credit customer.	

[3]

(b) Explain, using a suitable accounting theory, why source documents are important.

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……[2]

(c) Calculate the amount of equity at 1 April 2020.

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……[3]

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Flora Cosmetics has provided the following ledger account.

Allowance for impairment of trade receivables account

Date	Particulars	Dr ($)	Cr ($)	Balance ($)
2021				
Apr 1	Balance b/d			5 700 Cr
Jul 14	Trade receivable – Emily Trading	2 400		3 300 Cr
2022				
Jan 5	Trade receivable – Chong & Co	1 300		2 000 Cr
Mar 31	Impairment loss on trade receivables		760	2 760 Cr

REQUIRED

(d) Interpret the entries in the allowance for impairment of trade receivables account on:

(i) 14 July 2021……

……

……..[1]

(ii) 31 March 2022……

……

……..[1]

(e) Explain, using an accounting theory, why it is necessary for a business to account for allowance for impairment of trade receivables.

……

……

……

……[2]

[Total: 12]

[Turn over

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3 The following information was extracted from the accounting records of Dannie's business for the year ended 30 June 2022:

	$
Net sales revenue	250 600
Cost of sales	101 250
Gross profit	149 350
Operating expenses	91 380
Profit for the year	57 970

REQUIRED

(a) Define profitability.

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...

...[1]

(b) Calculate the following, giving your answers correct to **one** decimal place.

(i) Gross profit margin

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...

... [1]

(ii) Profit margin

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...

...

... [1]

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Terrie's business is a competitor of Dannie's and it has the following information for the year ended 30 June 2022:

Gross profit margin	51.7%
Profit margin	28.9%

REQUIRED

(c) Using the above information, compare the performance of Dannie's business with that of Terrie's.

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...[5]

(d) Suggest **two** ways how a business could improve its profitability.

1 ...

...

2...

...[2]

[Total: 10]

[Turn over

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4 Elite Pte Ltd provided the following account balances on 1 January 2022.

Shareholders' equity	$
Share capital, 100 000 ordinary shares	200 000
Retained earnings	130 800

The financial year of Elite Pte Ltd has ended on 31 December 2022.

REQUIRED

(a) State **two** features of a private limited company.

1.....

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2.....

.....[2]

(b) Identify another stakeholder, other than shareholders, who might need the financial statements of Elite Pte Ltd for decision-making.

……[1]

(c) Explain the following terms:

(i) Retained earnings

.....

.....[1]

(ii) Dividends

.....

……..[1]

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The following transactions took place for the year ended 31 December 2022.

Date	
2022	
Nov 15	100 000 shares were issued at $2.50 per share. All the shares were sold and fully paid.
Dec 18	Dividends of $0.05 per share were declared. The amount would be paid on 15 January 2023.
Dec 31	Profit for the year was $30 580.

REQUIRED

(d) Calculate the amount of share capital at 31 December 2022.

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……..[2]

(e) Prepare the retained earnings account for the year ended 31 December 2022.

Retained earnings account

Date		**Debit $**	**Credit $**	**Balance $**

[4]

[Total: 11]

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