Name:	Class: Sec _____	Index No.: _____

MERIDIAN SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024

PRINCIPLES OF ACCOUNTS

Paper 1 **7087/01**
22 August 2024

For Examiner's Use	
Total Marks	1 hour

SECONDARY 4 EXPRESS / 5 NORMAL (ACADEMIC)

Candidates answer on the Question Paper.
No Additional Materials are required.

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 **40**.

This document consists of **10** printed pages.

[Turn over

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1 **(a)** **(i)** State the two roles of accountants.

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(ii) State and explain one accounting ethic accountants must uphold.

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(b) State one stakeholder and explain why the stakeholder is interested in the accounting information of a business.

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(c) State the five stages in the accounting information system.

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1. Source documents

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5. Financial statements

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(d) State and explain the accounting theory applied when recording drawings.

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[Total: 11]

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2 The following cash at bank account was extracted from DW Traders for the month of September 2023.

Cash at bank account						
Date	Particulars	Cheque Number	Debit	Credit	Balance	
2023			$	$	$	
Sep 1	Balance b/d				7 780	Dr
3	Utilities expense	72422		550	7 230	Dr
9	Hong Hui		2 200		9 430	Dr
10	Sales revenue		8 440		17 870	Dr
15	Rent expense	72423		4 900	12 970	Dr
24	Seng Yun	72424		3 280	9 690	Dr
28	Marianne Ho		4 170		13 860	Dr
29	WK Retail	72425		2 400	11 460	Dr
30	CH Agency		7 540		19 000	Dr
Oct 1	Balance b/d				19 000	Dr

Bank Statement					
Date	Particulars	Withdrawal	Deposit	Balance	
2023		$	$	$	
Sep 1	Balance b/d			2 080	Cr
2	Cheque deposit		5 700	7 780	Cr
9	Cheque deposit		2 200	9 980	Cr
17	Cheque no: 72423	4 090		5 890	Cr
20	Cash		8 440	14 330	Cr
25	Cheque no: 72424	3 280		11 050	Cr
28	Cheque deposit		4 170	15 220	Cr
29	Rejected cheque	4 170		11 050	Cr
30	Interest		40	11 090	Cr

It was discovered that the accountant of DW Traders had incorrectly recorded the amount for cheque number 72423 in the business's cash at bank account.

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REQUIRED

(a) Update the cash at bank account for the month of September 2023.

Cash at bank account

..... [4]

(b) Prepare the bank reconciliation statement as at 30 September 2023.

Bank reconciliation statement as at 30 September 2023

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(c) The business's profit for the month of September 2023 was $8 400. Calculate the adjusted profit for the month after bank reconciliation.

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[Total: 10]

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3 (a) Explain one difference between a capital expenditure and a revenue expenditure.

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SC runs a food catering business, SC food.

The business purchased two motor vehicles at $60 000 each on 1 January 2022.

One motor vehicle was sold on 7 February 2023 and a cheque of $10 000 was received on the same day.

A new motor vehicle costing $88 000 was bought on credit from Lee Motors on 1 April 2023.

The business' policy is to depreciate motor vehicles at 20% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase and no depreciation is provided in the year of sale.

The financial year end of the business is 31 December each year.

REQUIRED

(b) (i) State and explain, with an accounting theory, why non-current assets are depreciated.

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(ii) Calculate the gain or loss on sale of motor vehicle on 7 February 2023.

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(iii) State the effect on profit if part (ii) is not adjusted for the year ended 31 December 2023.

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(iv) Prepare the motor vehicles account for the year ended 31 December 2023.

Motor vehicles account

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[Total: 11]

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4 The following balances were extracted from the books of Wonderful Studio on 31 December 2023.

	$
Trade receivables	9 000
Bank overdraft	2 100
Prepaid rental expense	7 400
Trade payables	10 000
Current portion of long-term borrowings	16 000
Long-term borrowings	64 000
Commission received in advance	1 000

(a) Calculate the following, to two decimal places, on 31 December 2023.

(i) Working capital

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(ii) Current ratio

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(iii) Quick ratio

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The following information was calculated and recorded for the year ended 31 December 2022.

Working capital	- $1 850
Current ratio	1.62
Quick ratio	0.85

(b) Comment on the liquidity position of the business over the two years ended 31 December 2022 and 2023.

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[Total: 8]

END OF PAPER

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Name:	Class: Sec _____	Index No.: _____

4E5N

MERIDIAN SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024

PRINCIPLES OF ACCOUNTS
7087/02

Paper 2
23 August 2024
2 hours

SECONDARY 4 EXPRESS / 5 NORMAL (ACADEMIC)

INSERT

READ THESE INSTRUCTIONS FIRST

This insert contains the data for Question 1.

For Examiner's Use	
Total Marks	

This insert consists of **2** printed pages.

[Turn over

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Data for Question 1

Wong owns an advertising business, providing advertising services to his customers.

The following balances were extracted from the books of the business on 31 December 2023.

	$
Fixtures and fittings	350 000
Equipment	70 000
Capital	120 000
Drawings	3 000
Advertising fee revenue	948 000
Rent expense	90 000
Salaries	85 700
General expenses	20 550
Cash at bank	567 050
5% Bank loan	160 000
Interest expense	7 000
Trade receivables	45 000
Allowance for impairment of trade receivables	10 300

Additional information

1 As at 31 December 2023,

(i) $22 000 of rent expense had been paid in advance.
(ii) Interest on bank loan had not been fully paid.

2 A trade receivable who owed $3 000 was declared bankrupt during the year. The debt has not yet been written off.

3 The business decided to make an allowance for impairment of trade receivables based on 8% of its remaining trade receivables.

4 Depreciation is at 20% per annum for fixtures and fittings using straight line method and at 10% for equipment using reducing balance method.

5 One-quarter of the bank loan was due for repayment on 1 February 2024.

6 During the year, the business issued an invoice of $17 000 for commission not yet received. This has not yet been recorded in the books.

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Name:	Class: Sec _____	Index No.: _____

MERIDIAN SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024

PRINCIPLES OF ACCOUNTS

Paper 2
23 August 2024

7087/02

For Examiner's Use	
Total Marks	2 hours

SECONDARY 4 EXPRESS / 5 NORMAL (ACADEMIC)

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

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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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(b) Prepare the statement of financial position as at 31 December 2023.

Wong's Advertising
Statement of Financial Position as at 31 December 2023

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[Total: 20]

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2 ZH sold toiletries to Daily Supermarket on credit.

As Daily Supermarket has settled payment for the previous month, there is no balance in its account on 1 August 2023.

The following transactions took place in August 2023.

2023

Aug 2 ZH sold goods at a list price of $4 000 less 10% trade discount to Daily Supermarket. The cost of the goods sold was $2 000.

Aug 5 Goods at list price of $600 was returned by Daily Supermarket. The cost of the returned goods was $300. These goods were bought on 2 August.

Aug 15 ZH received a cheque for the amount outstanding less cash discount at 5%.

(a) Prepare Daily Supermarket account in the books of ZH for the month of August 2023.

Daily Supermarket account

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(b) State one difference between trade discount and cash discount.

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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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	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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[Total: 12]

3 On 1 January 2023, FHK Ltd had the following balances.

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

2023

Jun 15 Dividends at $0.05 per share were declared.

Dec 31 Profit for the year was $88 190.

REQUIRED

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

Retained earnings account

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On 1 January 2024, additional 40 000 shares at $3 each were issued.

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

Journal

Date		Debit $	Credit $
2024			

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[2]

(c) Define the following.

(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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(ii) Going concern

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[Total: 9]

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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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Jordan sells smart glasses. He wants to order a new product and is deciding between the two products.

His customers want smart glasses that are user-friendly.

	Smartech	Tedglass
Cost for each smart glass	$300	$580
Nature of product	New product in the market, not sold in many stores locally Popular overseas	Can take photos and videos with a button Has excellent resolution
Customer preference	Reviews of the smart glasses are very good. Many likes on the brand's social media.	Popular among people who want hassle-free devices that can be used easily

REQUIRED

Which brand will you recommend Jordan to buy based on the factors in the given scenario? Justify your decision with **three** reasons.

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[Total: 19]

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2024 4E5N Prelim Exam Paper 1 Marking Scheme

1 (a) (i) Accountants

- Prepare and provide accounting information for decision-making / set up an accounting information system [1]
- act as stewards of the business in managing the resources of the business on behalf of the owners. [1]

(ii) An accountant with integrity [1] is straightforward and honest in all professional relationships. [1]

OR

An accountant who is objective [1] will not let bias, conflict of interest or the undue influence of others override his or her professional judgement. [1]

(b)

Stakeholders	Decision stakeholder may make
Owners and shareholders	Whether to continue to invest in the business or sell the business, depending on the risks and returns related to the business
Managers	Whether to consider ways to improve the performance of the business
Employees	Whether to continue working at the business
Lenders	Whether to grant loans to the business, depending on the business' ability to repay the loan principal and pay interest
Suppliers	Whether to sell to the business on credit, depending on its ability to pay
Customers	Whether to buy from the business, depending on the business' ability to provide the goods and/or services that they need and good after-sales service
Government	Whether the business complies with the tax regulations and decides the amount of tax to collect from the business
Competitors	Whether they are comparable to the business and how to improve their own performance

Any one of the stakeholders above [1] with the explanation. [1]

(c) 2. Journals [1]
3. Ledgers [1]
4. Trial balance [1]

(d) Accounting entity theory. [1] The activities of a business are separate from the actions of the owner. [1] OR All transactions are recorded from the point of view of the business. [1]

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2(a)

Cash at bank account

Date	Particulars	Debit (+) $	Credit (-) $	Balance $
2023				
Sep 30	Balance b/d			19 000 Dr [1]
	Rent expense (Error)	810 [1]		
	Marianne Ho		4 170 [1]	
	Interest income	40 [1]		
Oct 1	Balance b/d			15 680 Dr

(b) Bank Reconciliation statement as at 30 September 2023

	$
Balance as per bank statement	11 090 [1]
Add: Deposit in transit – CH Agency [1]	7 540
Less: Unpresented cheques – Utilities expense [0.5]	(550)
- WK Retail [0.5]	(2 400)
Adjusted balance as per cash at bank account [1] of	15 680

(c) Adjusted profit = $8 400 + $810 [1] + $40 [1] = $9 250

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3 (a)

Capital Expenditure	Revenue Expenditure
Cost to buy and bring the non-current asset to a ready-to-use condition	Cost to operate, repair and maintain the non-current asset in working condition
Provides benefits that last for more than one year	Provides benefits which will be used up within one year
Recorded as a non-current asset in the statement of financial position	Recorded as an expense in the statement of financial performance

Any pair of difference above. [2]

(b) (i)

Matching theory [1]
When a business uses non-current assets to generate income, a portion of the cost of the non-current asset has to be recorded as depreciation expense so as to match this expense against the income earned in the same financial period to arrive at the profit for the period. [1]

OR
Prudence theory [1]
Non-current assets are depreciated so as not to overstate the profit and asset. [1]

(ii) Gain or loss on sale of non-current asset = Sale proceeds – Net book value
Net book value = Cost – Accumulated depreciation
= $60 000 – (20% x $60 000) [1]
= $48 000 [1]
Loss on sale of non-current asset = $48 000 - $10 000 = $38 000 [1]

(iii) Profit will be overstated by $38 000. [1] of

(iv)

Motor vehicles account

Date	Particulars	Debit (+) $	Credit (-) $	Balance $
2023				
Jan 1	Balance b/d			120 000 Dr [1]
Feb 7	Sale of non-current asset		60 000 [1]	
Apr 1	Trade payable - Lee Motors	88 000 [1]		
2024				
Jan 1	Balance b/d			148 000 Dr

4 (a) (i) Working capital = Current assets – Current liabilities

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= ($9 000 + $7 400) – ($2 100 + $10 000 + $16 000 + $1 000)
= $16 400 - $29 100
= - $12 700 [1]

(ii) Current ratio = CA / CL = $16 400 / $29 100 = 0.56 [1]

(iii) Quick ratio = (CA – Inventory – Prepayments) / CL = $9 000 / $29 100 = 0.31 [1]

(b) *Working capital has worsened from - $1 850 to -$12 700 over the two years, 2022 to 2023. [1]

*Current ratio has worsened from 1.62 to 0.56 from 2022 to 2023. [1]

This implies the business has lesser assets to cover the liabilities. [1]

For both 2022 and 2023, the business' current ratio falls below the benchmark of 2. [1]

*Quick ratio has worsened from 0.85 to 0.31 over the two years, 2022 to 2023. [1]

This implies that the business has lesser quick assets to cover its liabilities. [1]

For both 2022 and 2023, the business' quick ratio falls below the benchmark of 1. [1]

Hence, the liquidity has been bad and deteriorated from 2022 to 2023. [1]

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2024 4E Prelim Exam Paper 2 Marking Scheme

1(a)

Wong		
Statement of financial performance for the year ended 31 December 2023		
	$	**$**
Advertising fee revenue		948 000 [1]
Add: Other income		
Comission income		17 000 [1]
Less: Other expenses		
Rent expense (90 000 – 22 000)	68 000	[1]
Salaries	85 700	
General expenses	20 550	
Interest expense (5% x 160 000)	8 000	[1]
Depreciation on fixtures and fittings (20% x 350 000)	70 000	[1]
Depreciation on equipment (10% x 70 000)	7 000	[1]
Reversal on impairment loss on trade receivables (8% x 42 000 – 7 300)	(3 940)	[1]
Profit for the year		709 690 [1] of

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(b)

Wong			
Statement of financial position as at 31 December 2023			
	Cost $	**Accumulated depreciation $**	**Net book value $**
Non-current assets			
Fixtures and fittings	350 000	70 000	280 000 [1]
Equipment	70 000	7 000	63 000 [1]
			343 000
Current assets			
Trade receivables (45 000 – 3 000)	42 000 [1]		
Less: Allowance for impairment of trade receivables (8% x 42 000)	3 360		
		38 640 [1]	
Cash at bank		567 050	
Prepaid rent expense		22 000 [1]	
Commission income receivable		17 000 [1]	
			644 690
Total assets			987 690
Equity and liabilities			
Owner's equity			
Capital (120 000 + 709 690 [1] of – 3 000 [1])			826 690
Non-current liabilities			
Long-term borrowings (3/4 x 160 000)			120 000 [1]
Current liabilities			
Current portion of long-term borrowings (1/4)		40 000 [1]	
Interest expense payable		1 000 [1]	
			41 000
Total equity and liabilities			987 690 [1] of

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2 (a) Trade receivable - Daily Supermarket

Date	Particulars	Debit $	Credit $	Balance $
2023				
Aug 2	Sales revenue (4 000 x 90%)	3 600 [1]		3 600 Dr
5	Sales returns (600 x 90%)		540 [1]	
15	Cash at bank (95% x 3 060)		2 907 [1]	
15	Discount allowed (5% x 3 060)		153 [1]	-

(b) Trade discount is a deduction off the list price [1] while cash discount is a deduction off the invoiced price. [1]

Trade discount is given to encourage bulk purchase [1] while cash discount is to encourage earlier payment. [1]

(c) (i)

	Fashion Dream
Rate of trade receivables turnover	14.67 times [1]
Trade receivables collection period	24.89 days [1]

(ii)

Style Right's rate of trade receivables turnover of 4.57 times, which is worse than Fashion Dream's 14,67 times. [1]

Style Right's trade receivables collection period of 79.84 days, which is worse than Fashion Dream's 24.89 days. [1]

This means that Style Right is collecting payment from its credit customers on a less timely basis than Fashion Dream. [1] OR taking longer time to collect back the payment from trade receivables. [1]

Style Right is less efficient in managing its trade receivables than Fashion Dream. [1]

3 (a) Retained earnings account

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Date	Particulars	Debit $	Credit $	Balance $
2023				
Jan 1	Balance b/d			37 700 Cr [1]
Dec 31	Dividends (60 000 x 0.05)	3 000 [1]		
	Income summary		88 190 [1]	122 890 Cr
2024				
Jan 1	Balance b/d			122 890 Cr

(b) **Journal**

Date	**Particulars**	**Debit $**	**Credit $**
2024			
Jan 1	Cash at bank (40 000 x 3)	120 000 [1]	
	Share capital		120 000 [1]

(c) (i) Retained earnings refer to the accumulated profits NOT distributed to the shareholders. [1]

(ii) Dividends refer to the portion of retained earnings distributed to the shareholders. [1]

(d) (i) Monetary theory states that only business transactions that can be measured in monetary terms are recorded. [1]

(ii) Going concern theory states that a business is assumed to have an indefinite economic life unless there is credible evidence that it may close down. [1]

4 (a) FIFO stands for first in first out. [1] It means that goods bought first are sold first [1] and the ending inventory are the goods that will be sold last. [1]

(b) Inventory account

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(c) Gross profit = $60 000 - $30 000 = $30 000 [1]

(d) (i) **Journal**

Date	Particulars		Debit $	Credit $	Balance $
2024					
Apr 30	Loss on inventory		44 000 [1]		30 000 Dr [1]
	Inventory			44 000 [1]	
4	Trade payable – Ken Group		40 000 [1]		
10	Cost of sales			30 000 [1]	
15	Cash at bank		15 000 [1]		55 000 Dr
May 1	Balance b/d				55 000 Dr

(ii) Profit will be overstated by $44 000 [1]
Current asset will be overstated by $44 000 [1]

SBQ – Inventory

Decision: Smartech [1]

Cost for each smart glass at $300 is $280 lower [1] and hence more profitable to sell. [1]

A new product in the market and not sold in many stores locally [1] and hence cater to customers who wants to buy. [1] / Less competition [1]

Popular overseas [1] and hence customers' demand is high. [1]

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Reviews of the smart glasses are good and many likes [1] and hence attracts customers.

OR

Decision : Tedglass [1]

Can take photos and videos with a button [1] and hence user-friendly, appealing to customers with their needs. [1]

Has excellent resolution [1] and hence attracts customers who wants to take good pictures. [1]

Popular among people who wants hassle-free devices [1] and hence meet customers' demand. [1]

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