Class	Centre No. / 'O' Level Index No.	Name

新加坡海星中学

MARIS STELLA HIGH SCHOOL
PRELIMINARY EXAMINATIONS
SECONDARY FOUR

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

15 August 2024

1 hour

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

READ THESE INSTRUCTIONS FIRST

Write your class, index number and name 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 brackets [ ] at the end of each question or part question.

The total number of marks for this paper is 40.

	For Examiner's Use
	40

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Answer **all** questions.

1 Gerrard started his business as a sole trader on 1 June 2023.

The following transactions occurred in the first week of trading.

1 Bought a new machine on credit from David Ltd.

2 A credit customer was undercharged.

3 Received cash for commission earned.

REQUIRED

(a) Name the source document for the 3 transactions.

Transaction	Source document
1	
2	
3	

[3]

(b) Name **one** principle of professional ethics and explain the meaning.

Principle:
……..……..

Explanation: ……..……....

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……..…….[2]

(c) Assist Gerrard by completing the order of the accounting information system.

Order	Accounting information system
1	Source documents
2	Journals
3	
4	Trial balance
5	Adjustments
6	Statement of financial performance and position

[1]

(d) Name the accounting theory that Gerrard is applying by preparing the financial statements on the basis that his business will continue to operate indefinitely.

……..……..…….[1]

[Total: 7]

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2 Moritz is a trader. His business employs an accountant.

On 1 April 2023, Moritz's capital account had a balance of $50 000.

The following transactions took place in his business for the year ended 31 March 2024:

2023
Jun 14 Moritz took out some goods costing $500 from the business for personal use.
Aug 19 Moritz contributed $10 000 to the business bank account.
Dec 25 Moritz contributed his personal car worth $40 000 to the business for delivery purposes.

2024
Feb 16 Moritz paid for his personal insurance costing $2 500 from his business bank account.
Mar 31 Profit for the financial year was $28 000.

REQUIRED

(a) State the effect of drawings on the profit for the year and the equity of a business.

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(b) Prepare the drawings account for the year ended 31 March 2024, including the closing entry.

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(c) Prepare the capital account for the year ended 31 March 2024.

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(d) Explain the meaning of ‘stewardship’ as it applies to the role of accountants.

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……[1]

[Total: 11]

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3 The following information has been provided for two restaurants for the year ended 31 December 2023.

	WOW	**Joy Eatery**
	$	$
Current assets		
Trade receivables	65 000	53 000
Inventory	60 000	10 000
Prepaid rent expense	35 000	-
Cash at bank	-	36 000
Cash in hand	1 000	2 000
Current liabilities		
Trade payables	50 000	54 000
Bank overdraft	30 000	-
Rent expense payable	-	22 000
Current ratio	?	1.33
Quick ratio	?	1.20

REQUIRED

(a) Calculate to **two** decimal places for **WOW's**:

(i) current ratio,

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(ii) quick ratio.

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(b) Evaluate the liquidity of WOW and Joy Eatery for the year ended 31 December 2023.

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(c) Suggest **two** ways for WOW to improve its liquidity position.

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……….[2]

[Total: 10]

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4 Ethan Vans is a delivery business.

The following is the service fee revenue account of Ethan Vans for the month ended 30 June 2024.

Service fee revenue account

Date	Particulars	Debit	Credit	Balance
2024		$	$	$
Jun 1	Bal b/d		25 000	25 000 Cr
Jun 1	Service fee revenue received in advance **(1)**		6 000	31 000 Cr
14	Cash at bank		4 000	35 000 Cr
20	Trade receivable – Shawn **(2)**		2 000	37 000 Cr
30	Service fee revenue received in advance **(3)**	5 000		32 000 Cr-

REQUIRED

(a) Interpret entry **(1)**.

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……[1]

(b) Interpret entry **(2)**.

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……[1]

(c) Interpret entry **(3)**.

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……[1]

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(d) Explain the effects on profit and current liabilities if the business did not record the entry on 30 June.

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……[2]

(e) State and explain one accounting theory applied in the recording of the entry on 30 June.

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……[2]

(f) Distinguish revenue from other income.

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……[2]

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Ethan Vans pays a professional cleaning company to clean its delivery vans.

During the month ending 30 June 2024, Ethan Vans issued a cheque to pay for $1 200 of cleaning expense. As at 30 June 2024, Ethan Vans still owed the cleaning company $200 for cleaning services.

(g) Prepare journal entries (including closing entries) to record cleaning expense for the month ended 30 June 2024. Narrations are **not** required.

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……[3]

[Total: 12]

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