Name:	Class: Sec _____	Index No.: _____

4E5N

MERIDIAN SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024

PRINCIPLES OF ACCOUNTS

Paper 1
22 August 2024

7087/01

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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4.
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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

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(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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