ZHONGHUA SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024
SECONDARY 5 NORMAL ACADEMIC

Candidate's Name	Class	Register Number
Suggested Making Scheme		

PRINCIPLES OF ACCOUNTS 7087/01

Paper 1

28 August 2024
1 hour

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 on both sides of the paper.

You may use a soft pencil for any rough working.
Do not use paper clips, glue or correction fluid.

Answer **all** questions.

You may use a calculator.
The businesses mentioned in this question paper are entirely fictitious.
Where the columnar format is used, the running balance column should be updated for the first and last entries. Where applicable, the balance should be brought down to the next financial year.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

For examiner's Use:	
Question	Score
1	**/ 15**
2	**/ 9**
3	**/ 16**
Total	**/ 40**

Setter: Mr John Kok

Vetters: Ms Teo Jing Zhi & Ms Destiny See

This question paper consists of **9** printed pages (including this cover page)

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Answer **all** questions.

1 (a) Source document **[1]**

(b) Objectivity theory. **[1]** Transactions are recorded based on information that is reliable and verifiable, where source documents serves this purpose. **[1]**

(c) Monetary theory. **[1]** Only business transactions that can be measured in monetary terms are recorded while reputation is not measured in monetary terms. **[1]**

(d) General Journal **[6]**

Date	Particulars	Debit	Credit
2024		$	$
March 31	Trade payable, Jackson LLP	2 000 [1]	
	Trade payable, Jason Ltd		2 000 [1]
March 31	Discount allowed	50 [1]	
	Trade receivable, Lim Pte Ltd		50 [1]
March 31	Cash at bank	1 400 [1]	
	Commission income		1 400 [1]

(e) Tylo Ltd

Statement to show adjusted profit for the year ended 31 March 2024

Unadjusted loss for the year	(522) **[1]**
Add: Commission income	1 400 **[1]**
	878
Less: Discount allowed	50 **[1]**
Adjusted profit for the year	828 **[1]**

[Total: 15]

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2 **(a)(i)** Purchased inventory amounting to $35 000 from Hipster Co on credit. **[1]**

(a)(ii) Inventory worth $3 000 was used for advertising purpose. **[1]**

(b) The entry on 12 March 2024 **[1]** was an error as drawings should result in a reduction in inventory account and should therefore appear in the Cr column. **[1]**

(c) Ending inventory = 53000 – 1000 = 52 000 **[1]**

(d) Cost of sales = (10000+25000+48000) = 83 000 **[1]**

Day sales in inventory = [(60000+52000)/2]/83000 x 365 **[1]** = 246.27 days **[1]**

(e) It means Chic Co. takes 246.27 days to sell its average inventory. **[1]**

[Total: 9]

3 **(a)** Interest Expense

Date	Particulars	Dr	Cr	Bal
2022				
1 Jan	Interest expense payable (3/12 x 5% x 40000)		500	500 Cr **[1]**
30 Sep	Cash at bank (5% x 40000)	2 000		1 500 Dr **[1]**
31 Dec	Interest expense payable (3/12 x 5% x 36000)	450		1950 Dr **[1]**
31 Dec	Income summary	**[1]**	1 950	-
2023				
1 Jan	Interest expense payable	**[1]**	450	450 Cr
30 Sep	Cash at bank (5% x 36000)	1 800		1 350 Dr **[1]**
31 Dec	Interest expense payable (3/12 x 5% x 32000)+(9/12 x 6% x 20000) **[1]**	1 300*		2 650 Dr **[1]**
31 Dec	Income summary		2 650	-

(b) Highway Trading

Statement of financial position as at 31 December 2023 (extract)

Non-current liabilities

Long term borrowing (28000+16000)**[1]**		44 000 **[1]**
Current liabilities		
Current portion of long term borrowing (4000+4000) **[1]**	8 000 **[1]**	
Interest expense payable * (of)	1 300 **[1]**	9 300

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(c) Based on the going concern theory **[1]** which states that a business is assumed to have an indefinite economic life unless there is credible evidence that it may close down **[1]**, Highway Trading will still need to continue keeping their financial records as there are yet to have credible evidence that it may close down just financial challenges. **[1]**

[Total: 16]

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