Name of Candidate: …… ( ) Class: ……

BUKIT PANJANG GOVERNMENT HIGH SCHOOL

PRELIMINARY EXAMINATION 2024

SECONDARY 5

GCE 'O' LEVEL SYLLABUS

PRINCIPLES OF ACCOUNTS **7087/01**

Paper 1 **15 August, 2024**

1 hour

0750 h – 0850 h

Candidates answer on the Question Paper

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Do not turn over the cover page until you are told to do so.
Write in dark blue or black pen on both sides of the paper.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper chips, glue or correction fluid.
The use of an approved calculator is allowed.

Answer **all** the 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.

MARKING SCHEME

FOR EXAMINER'S USE	
Question 1	/ 16
Question 2	/ 8
Question 3	/ 16
Total:	/ 40

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1(a) Any one of the followings: **[1 – capital expenditure, 1 – revenue expenditure]**

- Capital expenditure refers to the cost of buying and bringing the non-current assets to its intended use, while revenue expenditure refers to the costs to operate, repair and maintain the non-current asset in working condition.

- Capital expenditure provide benefits for more than 1 year, while revenue expenditure provides benefits which will be used within 1 year.

- Capital expenditure is recorded as non-current asset in the statement of financial position, while revenue expenditure is recorded as expense in the statement of financial performance.

1(b) Journal

Date 2024	Particulars	Debit $	Credit $
Jan 1	Motor vehicles (120 000 + 6 500 + 2 800)	129 300 **[1]**	
	Cash at bank		129 300 **[1]**
	Road tax expense	1 250 **[1]**	
	Cash at bank		1 250 **[1]**

1(c) **(i)** Net book value
= Cost – Accumulated depreciation
= $62 000 – $32 000
= $30 000 **[1]**

(ii) Gain/loss on sales of NCA
= Sales proceeds – NBV
= $27 000 – $30 000
= $(3 000) *loss* **[1]**

Note: Student must show whether is it a gain or loss on sales of NCA to be awarded the mark.

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1(d) Journal

Date 2024	Particular	Debit $	Credit $
Jun 30	Income summary	3 000	
	Sales of non-current asset		3 000

1(e) Net book value of remaining motor vehicles
= $(275 000 – 92 250) – $30 000
= $152 750 **[1]**

Depreciation expense for year ended 30 June 2024
= 20% x $152 750
= $30 550 **[1]**

1(f) Accounting theory Matching theory **[1]**

Explanation The cost of using the non-current asset is recorded as depreciation expense and matched against the income earned from using the non-current assets in the same accounting period to determine the profit for that period. **[1]**

OR

Accounting theory Prudence theory **[1]**

Explanation Depreciation is charged to the non-current asset as it gets exposed to wear and tear. This will then ensure that profits and assets are not overstated. **[1]**

1(g) The choice of the method of depreciation is dependent on its usage pattern **[1]**. Motor vehicles provides more benefits in its earliest years of its useful life and hence, reducing method is used instead **[1]**.

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2(a) Commission income receivable refers to the commission income earned as services are provided but the amount have yet to be received. **[1]**

2(b) According to accrual basis of accounting theory, expenses should be recorded in the period where services have been used, regardless of whether they have been paid or not **[1]**.

Hence, prepaid advertising expense should be deducted from the other expenses from the current period and the services used in the business later should be recorded as current assets **[1]**.

2(c) **(i)** Profit for the year will be overstated by $7 900. **[1]**

Note: Mark will still be awarded if the value is omitted

(ii) Current assets will be overstated by $7 900. **[1]**

Note: Mark will only be awarded if students specify current assets. General answer like 'assets' will not be awarded.

2(d)

Yee Lin

Extract of Statement of Financial Performance for the year ended 31 July 2024

	$
Add: Other income	
Commission income (–1 600 + 4 000 – 1 500)	900 **[1]**
Rental income (7 000 + 800)	7 800 **[1]**
Less: Other expenses	
Advertising expense (7 900 + 6 860 + 900)	15 660 **[1]**

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3(a) The purpose is to check the business' records (cash at bank account) against the bank's record (bank statement) so as to deter fraud. **[1]**

3(b)

Cash at bank

Date	Particular	Debit	Credit	Balance
2022		$	$	$
May 31	Balance b/d			1 680 Dr
31	Trade receivable – Ah Tan Trading **[1]**	540		2 220 Dr
31	Rent income **[1]**	600		2 820 Dr
31	Interest expense **[1]**		20	2 800 Dr
Jun 1	Balance b/d			2 800 Dr

3(c)

Bank reconciliation statement as at 31 May 2022

	$
Balance as per bank statement	1 670
Add: Deposits in transit	
Trade receivable – Iman Shoot Studio **[1]**	1 000
Trade receivable – Micheal Kor Kor **[1]**	780
Bank error (900 – 800) **[1]**	100
Less: Cheques not yet presented	
Trade payable – Hui Loft Houses (Cheque no: 24002) **[1]**	(750)
Adjusted balance as per cash at bank account **[1]**	2 800

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3(d)

	Year ended 30 June 2022	Year ended 30 June 2023
Workings	Average inventory = (20 200 + 24 570) / 2 = $22 385 $Days\ sales\ in\ inventory$ $= \frac{Average\ inventory}{Cost\ of\ sales} \times 365\ days$ $= \frac{22\ 385}{89\ 280} \times 365\ days$ = 91.52 days **[1]**	Average inventory = (24 570 + 25 480) / 2 = $25 025 $Days\ sales\ in\ inventory$ $= \frac{Average\ inventory}{Cost\ of\ sales} \times 365\ days$ $= \frac{25\ 025}{100\ 560} \times 365\ days$ = 90.83 days **[1]**

3(e)

- The days sales in inventory of Wei Xun's business has improved from 91.52 days to 90.83 days from 2022 to 2023 respectively. **[1]**

- This means that on average, Wei Xun takes 90.83 days to sells its inventory in a year which was an improvement from 91.52 days by 0.69 days. **[1]**

- This suggests that in 2023, Wei Xun's business takes a shorter time now to sell its inventory. Hence, it is becoming more efficient in managing its inventory. **[1]**

3(f) Any *two* of the followings: **[1 – per point]**

- Reducing selling price for slow-moving goods (unpopular products).
- Provide trade discount to customers to encourage bulk purchase.
- Attract more customers through marketing campaign.
- Use technology to improve accuracy prediction about customer demand so that business can know when and how much inventory to buy.

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