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.

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

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1 Xin Catering specialises in food catering services.

On 1 January 2023, the business purchased a delivery van and paid the following by bank transfer.

	$
Purchase price of delivery van	120 000
Delivery cost of delivery van	6 500
Import tax	2 800
Annual road tax	1 250

REQUIRED

(a) Explain the difference between capital expenditure and revenue expenditure.

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[2]

(b) Prepare the journal entries to record the capital and revenue expenditures. Narrations are **not** required.

Journal

Date 2023	Particulars	Debit $	Credit $
Jan 1			

[4]

The financial year end of Xin Catering ends on 30 June. The following balances were extracted on 1 July 2023.

	$
Motor vehicles	275 000
Accumulated depreciation of motor vehicles	92 250

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On 1 October 2023, one of the motor vehicles was sold. The following ledger account was provided.

Sales of non-current asset account

Date	Particular	Debit	Credit	Balance
2023		$	$	$
Oct 1	Motor vehicles	62 000		62 000 Dr
Oct 1	Accumulated depreciation of motor vehicles		32 000	?
Oct 1	Other receivable – Misty Trading		27 000	?
2024				
Jun 30	Income summary	?	?	?

It is the company's policy 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 in the year of sale.

REQUIRED

(c) Calculate the following for the motor vehicle that was sold.

(i) Net book value

.....

.....

[1]

(ii) Gain or loss on sale of non-current asset

.....

.....

[1]

(d) Prepare the journal entries that took place on 30 June 2024. Narration is **not** required.

Journal

Date 2024	Particular	Debit $	Credit $
Jun 30			

[2]

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(e) Calculate the depreciation of motor vehicles for the year ended 30 June 2024.

[2]

(f) Using an appropriate accounting theory, explain why a business should depreciate its non-current assets.

Accounting theory

Explanation

[2]

(g) Explain why the reducing-balance method is more suitable in depreciating motor vehicles.

[2]

[Total: 16]

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2 Yee Lin runs a retail shop selling high heels. She provided the following information for the year ended 31 July 2024.

Account balances as at 1 August 2023	$
Prepaid advertising expense	7 900
Commission income receivable	1 600

The business had the following transactions.

Date		$
2024		
Feb 5	Received commission income by bank transfer	4 000
Jun 18	Paid for advertising expense by cheque	6 860

Additional information

1 Commission income of $1 500 received was meant for the month of August 2024.

2 Advertising expense of $900 has yet to be paid as at 31 July 2024.

REQUIRED

(a) Explain what is meant by *commission income receivable*.

[1]

(b) Using an accounting theory, explain why it is necessary for Yee Lin to make adjustments for prepaid advertising expense.

[2]

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(c) Analyse the effect of **not** making an adjustment for prepaid advertising expense on 1 August 2023 on:

(i) Profit for the year

[1]

(ii) Statement of financial position

[1]

Yee Lin also rents out part of the business premises. The rental income received during the year ended 31 July 2024 was $7 000. There were no amounts outstanding at 1 August 2023. The tenant owed $800 as at 31 July 2024.

REQUIRED

(d) Prepare an extract of the statement of financial performance for the year ended 31 July 2024 to show the amounts to be included for **commission income**, **rental income** and **advertising expense**.

Yee Lin

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

[3]

[Total: 8]

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3 Wei Xun is in the business of selling cameras. He provided the following business cash at bank account for the month of May 2022.

Cash at bank account

Date	Particular	Cheque Number	Debit	Credit	Balance
2022			$	$	$
May 1	Balance b/d				2 100 Dr
7	Hui Loft Houses	24002		750	1 350 Dr
10	Iman Shoot Studio		1 000		2 350 Dr
14	Bern Foundation	24003		1 600	750 Dr
20	Sales revenue		950		1 700 Dr
24	Lai Leh Furnishing	24004		800	900 Dr
29	Micheal Kor Kor		780		1 680 Dr
Jun 1	Balance b/d				1 680 Dr

The bank statement received for May 2022 is as follows:

Bank statement

Date	Particular	Withdrawal	Deposit	Balance
2022		$	$	$
May 1	Balance b/d			2 800 Cr
2	Cheque no: 24001	700		2 100 Cr
21	Cash deposit		950	3 050 Cr
22	Cheque no: 24003	1 600		1 450 Cr
23	Credit transfer: Ah Tan Trading		540	1 990 Cr
26	Cheque no: 24004	900		1 090 Cr
28	Direct deposit: Rent		600	1 690 Cr
31	Interest	20		1 670 Cr

Additional information:

The bank informed Wei Xun that it made an error for cheque number 24004 and recorded a wrong amount.

REQUIRED

(a) Explain the purpose of bank reconciliation.

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[1]

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(b) Prepare the adjusted cash at bank account for May 2022.

Cash at bank account

[3]

(c) Prepare the bank reconciliation statement as at 31 May 2022.

Bank reconciliation statement as at 31 May 2022

[5]

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The following information was extracted from the books of Wei Xun's business as at 30 June 2022 and 2023.

	Year ended 30 June 2022	Year ended 30 June 2023
	$	$
Sales revenue	220 000	280 000
Less: Cost of sales	(89 280)	(100 560)
Gross profit	130 720	179 440

Additional information:

	$
Inventory as at 30 June 2021	20 200
Inventory as at 30 June 2022	24 570
Inventory as at 30 June 2023	25 480

REQUIRED

(d) Calculate the days sales in inventory for the two years ended 30 June 2022 and 2023. Show your answers to **two** decimal places.

	Year ended 30 June 2022	Year ended 30 June 2023
Working		

[2]

[Turn over

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(e) Evaluate the management of inventory by Wei Xun's business over the two years ended 30 June 2022 and 2023.

[3]

(f) Suggest **two** ways in which Wei Xun could improve the business's efficiency in managing inventory.

1 _____

2 _____

[2]

[Total: 16]

End of paper

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