HILLGROVE SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024
SECONDARY FOUR (EXPRESS)
/ FIVE (NORMAL ACADEMIC)

CANDIDATE NAME	( )	CLASS	-
CENTRE NUMBER	S	INDEX NUMBER	

PRINCIPLES OF ACCOUNTS **7087/01**

Paper 1 **21 Aug 2024**

Candidates answer on the Question Paper. **1 hour**

No Additional Materials are required. **10.45 AM to 11.45 AM**

READ THESE INSTRUCTIONS FIRST

Write in dark blue or black pen.
You may use an HB pencil for any rough working.
Do not use staples, paper clips, glue or correction fluid.

Answer **all** questions.

The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
	Marks
1	
2	
3	
4	
TOTAL	

Parent's/ Guardian's Signature: ____________________

Setter: Mdm Grace Ang

1 Aydyn Trading implements the accounting cycle and the accounting information system.

REQUIRED

(a) Fill in the blanks. [2]

(i) The accounting cycle

Identify and record → Adjust → ______ → Close

(ii) The accounting information system

Source document → ______ → Ledger → Trial balance → Financial statements

Aydyn Trading realised that a credit customer had been undercharged.

REQUIRED

(b) State the source document that Aydyn Trading should send to the credit customer to correct the undercharge.

____

____

[1]

Aydyn Trading records transactions based on source documents.

REQUIRED

(c) State and explain the accounting theory that the Aydyn Trading has been applying.

Accounting theory: ____

Explanation of accounting theory: ____

____

____

____

[2]

(d) Explain the extent of liability of shareholders of a private limited company.

[2]

(e) State the role of accounting.

[1]

[Total: 8]

2 Ming Yu's business prepares bank reconciliation at the end of each month as a form of internal control over its bank account.

REQUIRED

(a) State **one** purpose of internal control.

[1]

(b) State **one** other internal control that a business can have over its bank account.

[1]

(c) Explain the purpose of preparing bank reconciliation.

[1]

Ming Yu provided the cash at bank account in his books and the bank statement received for the month of June 2024.

Cash at Bank accout

Date	Particulars	Cheque No.	Dr ($)	Cr ($)	Bal ($)
2024					
Jun 1	Bal b/d				6 000 Dr
5	Sales revenue		3 400		
8	Leya	3053		8 000	
14	Neil Trading	3054		4 280	
17	Mindy		7 200		
19	Inventory	3055		900	
27	Insurance expense	3056		2 300	
29	Josh		4 500		
30	Keagen	3057		6 100	480 Cr

Bank Statement for the month of Jun 2024

Date	Transactions	Dr ($)	Cr ($)	Bal ($)
2024				
Jun 1	Balance b/d			6 150 Cr
1	Cheque no. 3052	150		
5	Standing order – Rent	1 340		
7	Cheque deposit		3 400	
9	Cheque no. 3053	8 800		
11	Direct deposit – Commission		3 650	
16	Cheque no. 3054	4 280		
19	Cheque deposit		7 200	
21	Cheque no. 3055	900		
29	Cheque no. 3056	2 300		
30	Refer to drawer (Jun 19)	7 200		4 570 Dr

Ming Yu’s accountant recorded cheque number 3053 wrongly in the books of the business.

REQUIRED

(d) State **one** possible reason for the transaction recorded in the bank statement on 30 June 2024.

____

____ [1]

(e) Prepare the adjusted cash at bank ledger account and bring down the balance to 1 July 2024.

[5]

(f) Prepare the bank reconciliation statement for the month ended 30 June 2024.

[3]

[Total: 12]

3 Aina provided the information about her business.

Motor Vehicles account

Date	Particulars	Dr ($)	Cr ($)	Bal ($)
2022				
Jan 1	Trade payable: Ives	60 000		60 000 Dr
2023				
Jan 1	Bal b/d			60 000 Dr
2024				
Jan 1	Bal b/d			60 000 Dr

Accumulated Depreciation: Motor Vehicles account

Date	Particulars	Dr ($)	Cr ($)	Bal ($)
2022				
Dec 31	Depreciation expense: Motor vehicles		24 000	24 000 Cr
2023				
Jan 1	Bal b/d			24 000 Cr
Dec 31	Depreciation expense: Motor vehicles		14 400	38 400 Cr
2024				
Jan 1	Bal b/d			38 400 Cr

REQUIRED

(a) Define ‘accumulated depreciation’.

____

____ [1]

(b) State the method that Aina is using to depreciate her motor vehicles.

____

____ [1]

(c) Calculate the rate of depreciation that Aina is using to depreciate her motor vehicles.

____

____

____

____ [1]

(d) State the effect on the following if Aina did not record depreciation expense for her motor vehicles in 2023.

(i) Statement of financial performance

____ [1]

(ii) Statement of financial position

____

____

____ [2]

The business recently purchased a good quality hole puncher for $20. However, Aina recorded the amount paid as stationery expense instead of office equipment even though the hole puncher can be used for a few years.

REQUIRED

(e) State and explain the accounting theory that Aina applied.

Accounting theory: ____

Explanation of accounting theory: ____

____

____ [2]

The business spent $10 000 improving the interior of its shop to attract more customers. However, Aina recorded the amount spent as revenue expenditure instead of capital expenditure.

(f) State the effect of this error on the following.

(i) Profit for the year

____ [1]

(ii) Non-current assets

____ [1]

[Total: 10]

4 Nice Home and Chic Living are in the business of buying and selling furniture imported from Europe.

The following information regarding rate of inventory turnover is available.

Nice Home		Chic Living	
31 July 2022	31 July 2023	31 July 2022	31 July 2023
4.06 times	6.64 times	8.11 times	?

The following information about Chic Living is available.

	$
Cost of sales for the year ended 31 July 2023	860 000
Inventory as at 31 July 2023	97 000
Inventory as at 31 July 2022	90 500

REQUIRED

(a) Calculate Chic Living's rate of inventory turnover for the year ended 31 July 2023 (to **two** decimal places). Show **all** workings.

[2]

(b) Evaluate efficiency in inventory management for **both** businesses for **both** years.

[4]

(c) Suggest **one** reason for the trend in **(b)**.

[1]

On 31 July 2024, a fire broke out in Chic Living's warehouse and destroyed inventory costing $12 000.

On the same date, it was agreed with the insurance company that 90% of the loss was covered by insurance and Chic Living would receive compensation on 10 August 2024.

REQUIRED

(d) State the double entry with which Chic Living recorded the destruction of inventory and insurance claim on 31 July 2024

[3]

[Total: 10]

Hillgrove Secondary School
Preliminary Examination 2024
4E/5NA Principles of Accounts Paper 1 (7087/01)
Suggested answers and marking scheme

Q1
(a)
(i) Report **[1m]**
(ii) Journal **[1m]**

(b) Debit note **[1m]**

(c)
Accounting theory: Objectivity theory **[1m]**
Explanation of accounting theory: Accounting information recorded must be supported by reliable and verifiable evidence so that financial statements will be free from opinions and biases. **[1m]**

Q2
(a) Anyone one of the following: **[1m]**

- Safeguard assets of the business
- Ensure business transactions are recorded accurately
- Comply with laws and regulations

(b) Any one of the following: **[1m]**

- Segregation of duties
- Authorisation of payments

(c) Compare the business' records with the bank's records to identify items that caused the differences between the ending balances in the business cash at bank account and the bank statement. **[1m]**
And check that these items arose out of legitimate timing differences and/ or errors in recording.

(d) Any one of the following: **[1m]**

Q3

(a) Approximation of the reduction in economic value of a non-current asset. [1m]

(b) Reducing-balance method [1m]

(c)
$24 000 / $60 000 = 40%
Net book value as at end of 31 Dec 2022 = $60 000 - $24 000 = $36 000
$14 400 / $36 000 = 40%

Thus, rate of depreciation = 40% [1m]

(d) (i) Profit for the year will be overstated by $14 400. [1m]
(Since expenses understated by $14 400)

(ii) Total non-current assets will be overstated by $14 400. [1m]
(Since Accumulated Depreciation understated by $14 400

Q4

(a) Average inventory = (Beginning inventory + Ending inventory) / 2
= ($90 500 + $97 000) / 2
= $93 750 [1m]

Rate of inventory turnover = Cost of sales / Average inventory
= $860 000 / $93 750 = 9.17 *times* [1m]

(b) 1m each. Award up to maximum 4m.

Point	
1	Nice Home's (NH) rate of inventory turnover ***improved*** from 4.06 times in 2022 to 6.64 times in 2023. Chic Living's (CL) rate of inventory turnover ***improved*** from 8.11 times in 2022 to 9.17 times in 2023.
2	Thus, ***both*** businesses sold out and replenished its inventory ***more times*** in 2023 as compared to 2022.
3	Hence, there was ***improvement*** in efficiency in inventory management for ***both*** businesses over the two years.

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PRELIMINARY EXAMINATION 2024
SECONDARY FOUR (EXPRESS)
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CANDIDATE NAME	( )	CLASS		-
CENTRE NUMBER	S	INDEX NUMBER		

PRINCIPLES OF ACCOUNTS **7087/02**

Paper 2 **27 Aug 2024**

INSERT **2 hours**

10.05 AM to 12.05 PM

READ THESE INSTRUCTIONS FIRST

This insert contains the data for Question 1.

Data for Question 1

The following balances were extracted from the books of Danish Hairstyling Ltd on 31 December 2023.

	$
Hairstyling revenue	125 000
Fixtures and fittings	50 000
Hairstyling equipment	14 000
Accumulated depreciation:	
Fixtures and fittings	19 200
Hairstyling equipment	4 200
Cash in hand	17 600
Cash at bank (Cr)	700
Trade receivables	8 400
Allowance for impairment of trade receivables	500
Share capital, 10 000 ordinary shares	20 000
Retained earnings at 1 January 2023	4 900
Hairstyling supplies expense	12 500
Salaries expense	24 000
Rent paid	37 000
Utilities expense	11 000

Additional information on 31 December 2023

1 Fixtures and fittings are to be depreciated at 10% per annum using the straight-line method assuming a scrap value of $2 000.

2 Hairstyling equipment are to be depreciated at 30% per annum using the reducing-balance method.

3 Utilities of $590 was owing.

4 Annual rent was $36 000.

5 A credit customer, Nickolas, had been uncontactable for more than a year. $400 owing by Nickolas was to be written off.

6 It was decided that 2% of trade receivables were unlikely to be collectible.

7 The company declared a dividend of $0.10 per share. This will be paid on 8 January 2024.

HILLGROVE SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024
SECONDARY FOUR (EXPRESS) / FIVE (NORMAL ACADEMIC)

CANDIDATE NAME	( )	CLASS	-
CENTRE NUMBER	S	INDEX NUMBER	

PRINCIPLES OF ACCOUNTS — 7087/02

Paper 2 — **27 Aug 2024**

Candidates answer on the Question Paper. — **2 hours**

Additional Materials: Insert — **10.05 AM to 12.05 PM**

READ THESE INSTRUCTIONS FIRST

Answer **all** questions.

The number of marks is given in brackets [ ] at the end of each question or part question.

Parent's/ Guardian's Signature: ____________________

Setter: Mdm Grace Ang

For Examiner's Use	
	Marks
1	
2	
3	
4	
TOTAL	

Answer **all** questions.

1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the year ended 31 December 2023.

Danish Hairstyling Limited
Statement of Financial Performance for the year ended 31 December 2023

[8]

(b) Prepare the statement of financial position as at 31 December 2023.

Danish Hairstyling Limited
Statement of Financial Position as at 31 December 2023

[12]

[Total: 20]

2 Shengxin Trading is a business that sells premium Japanese watermelons and apples.

Shengxin Trading has been buying watermelons from Sean Fruits for the last 10 years and receives a 10% trade discount from Sean Fruits for being a loyal customer. The follow ledger account has been extracted from the books of Shengxin Trading.

Trade payable: Sean Fruits

Date	Particulars	Dr ($)	Cr ($)	Bal ($)	
2024					
Jun 1	Bal b/d			9 000	Cr
Jun 15	Inventory		3 600	12 600	Cr
Jun 25	Cash at bank	11 970		630	Cr
Jun 25	Discount received	630		-	

REQUIRED

(a) Calculate the list price of the transaction on 15 June 2024.

____

____ [1]

(b) Interpret the transaction that took place on 25 June 2024.

____

____

____

____ [2]

On 1 July 2024, there were 50 boxes of apples costing $500 in Shengxin Trading. The following transactions took place.

2024	
Jul 5	Bought 50 boxes of apples at $600 on credit from Shi Tong Trading.
Jul 10	Sold 50 boxes of apples at $700 on credit to Hillgrove Secondary School.
Jul 15	Bought 50 boxes of apples at $450 and paid by cheque.
Jul 20	Sold 50 boxes of apples at $700 on credit to Zheng Yang Ltd.

REQUIRED

(c) Calculate the cost of sales for July 2024 using the FIFO method.

____

____ [1]

Shengxin Trading occasionally conducts workshops to teach secondary school students about entrepreneurship. The following ledger account has been extracted from the books of Shengxin Trading.

Workshop income account

Date	Particulars	Dr ($)	Cr ($)	Bal ($)
2023				
Jul 1	?		200	200 Cr
2024				
Jun 30	Cash at bank		3 700	3900 Cr
Jun 30	Workshop income receivable		800	4 700 Cr

REQUIRED

(d) State the particulars for the entry on 1 July 2023.

____ [1]

(e) Prepare an extract of the statement of financial performance for the year ended 30 June 2024 to show the amount to be included for workshop income.

Shengxin Trading
Extract of Statement of Financial Performance for the year ended 30 June 2024

____

____

____

____

____ [2]

At the end of each accounting year, Shengxin Trading makes adjustments for income earned but not yet received and income received but not yet earned in accordance to the revenue recognition theory and one other accounting theory.

REQUIRED

(f) State and explain the other accounting theory.

Accounting theory: ______________________________

Explanation of accounting theory: ______________________________

____

____

____

[2]

Shengxin Trading wants to purchase a new vehicle to deliver watermelons and apples to its customers. It is considering between two models of commercial vehicle, Toyota Hiace and Nissan NV350.

REQUIRED

(g) State **two** non-accounting information that should be considered by Shengxin Trading when deciding which model of commercial vehicle to purchase.

1 ______________________________

2 ______________________________

[2]

[Total: 11]

3 Hannah Trading hired an accounting intern, Justin, who unfortunately made some mistakes.

Justin changed the depreciation method for motor vehicles from reducing-balance method to straight-line method because he felt that it was less time consuming to calculate annual depreciation expense using the straight-line method.

REQUIRED

(a) State and explain the accounting theory that Justin **violated**.

Accounting theory: ____________________

Explanation of accounting theory: ____________________

____

____________________ [2]

Hannah Trading had been receiving positive reviews from customers on its products. Justin recorded the positive reviews as $1 000 of current assets.

REQUIRED

(b) State and explain the accounting theory that Justin **violated**.

Accounting theory: ____________________

Explanation of accounting theory: ____________________

____

____________________ [2]

Justin showed improvement in his performance and is now employed as a permanent accountant of Hannah Trading. Justin has been preparing financial statements at the end of each financial year in accordance to the accounting period theory and one other accounting theory.

REQUIRED

(c) State and explain the other accounting theory that Justin applied.

Accounting theory: ____________________

Explanation of accounting theory: ____________________

____

____________________ [2]

Hannah Trading and Amirah Trading are in the same industry. The following information about both businesses have been made available.

	Hannah Trading	Amirah Trading
	$	$
Cash at bank	10 000	-
Trade receivables	3 000	2 900
Inventory	20 000	50 000
Prepaid expenses	4 000	3 900
Total current assets	37 000	56 800
Trade payables	10 000	9 700
Bank overdraft	-	400
Current portion of long-term borrowings	-	2 000
Total current liabilities	10 000	12 100
Working capital	$27 000	?
Current ratio	3.70	?
Quick ratio	1.30	?

REQUIRED

(d) Calculate the following for Amirah Trading.

(i) Working capital

____

____ [1]

(i) Current ratio (to **two** decimal places)

____

____ [1]

(i) Quick ratio (to **two** decimal places)

____

____

____

____ [1]

(e) Evaluate the liquidity of **both** businesses using the information provided and your answers to part **(d)**.

[6]

Amirah Trading received two proposals from her accountant.

Proposal 1 Sell an under-utilised delivery van for cash.

Proposal 2 Take up a loan from DB Bank which must be repaid in 12 months time.

REQUIRED

(f) For each proposal, explain whether the proposal would improve Amirah Trading's liquidity position.

Proposal 1:

[1]

Proposal 2:

[1]

[Total: 17]

4 Ace Academy took up a loan of $60 000 from CT Bank on 1 April 2022. Loan principal is repayable equally over 6 years and interest rate is at 4% per annum. Principal repayment and interest payment is to take place every 31 March, starting 31 March 2023.

REQUIRED

(a) Prepare the journal entry to record the transfer of interest expense to income summary on 31 December 2023.

Ace Academy
Journal

[2]

(b) Prepare an extract of the statement of financial position as at 31 December 2023 showing the liabilities sections only.

Ace Academy
Extract of Statement of Financial Position as at 31 December 2023

[3]

Ace Academy in the business of providing enrichment classes for children and youths. Instructors at the academy photocopy notes and worksheets for students on a daily basis.

Ace Academy is deciding between buying or renting a photocopier as one of its photocopiers broke down recently. The business only has $2 000 available for upfront payment unless it takes up a short-term loan.

Ace Academy needs a photocopier that allows user IDs and printing quotas to be set up so that it can track and control how much each instructor is printing.

	Buy photocopier	Rent photocopier
Cost and payment	Total cost = $8000 $5 000 to be paid as downpayment upon ordering. Remaining $3 000 to be paid over 3 months at $1 000 per month upon delivery	$600 (also the first month rental) to be paid upon contract confirmation. Contract period = 12 months and rental = $600/ month Penalty of $3 000 if contract is terminated early. Contract can be renewed at the same rate for the same model of photocopier up to a maximum of 2 renewals. Rental for a different model after initial contract period will be subjected to prevailing market rate.
Condition	Brand new	Might have been rented out to other customers before
Estimated useful life	3 years	Not applicable
Warranty and repairs	Warranty of 1 month. Must arrange own repairs after warranty period.	Rental company's service personal will be onsite within 1 hour of receiving service call throughout contract period. No extra charge for repairs as long as damage is due to normal wear and tear.
Set up of user IDs and printing quotas	No limit on the number of user IDs that can be set up. Different printing quota can be set up for different user ID. Printing quota can be changed at anytime for each user ID.	Contract includes setting up of 20 user IDs and a printing quota of 1 000 pages for each user ID for 6 months. Each request to increase number of user IDs or printing quota is chargeable at $10 per request.

REQUIRED

(c) Recommend whether Ace Academy should buy or rent a photocopier. Justify your decision with **three** reasons.

[7]

[Total: 12]

Hillgrove Secondary School

4E/5NA Preliminary Examination 2024

Principles of Accounts Paper 2 (7087/02)

Suggested answers and marking scheme

Q1

(a)

Danish Hairstyling Ltd

Statement of Financial Performance for the year ended 31 December 2023

	$	$
Hairstyling revenue		125000 (1)
Less: Other expenses		
Hairstyling supplies expense	12500 } (1)	
Salaries expense	24000 }	
Rent expense	36000 (1)	
Utilities expense (+$590)	11590 (1)	

(b)

Danish Hairstyling Ltd

Statement of Financial Position as at 31 December 2023

	Cost	Accumulated depreciation	Net book value
Assets			
Non-current assets			
Fixtures and fittings	50000	24000	26000 (1)
Hairstyling equipment	14000	7140	6860 (1)
Total non-current assets			32860
Current assets			
Cash in hand		17600	
Prepaid rent expense ($37000 - $36000)		1000 (1)	
Trade receivables (-$400)	8000 (1)		
Less: Allowance for impairment of trade receivables (2% x $8000)	(160) (1)		
Net trade receivables		7840 (1)	

Q2

(a) List price = ($3600/ 90) x 100 = $4000 **[1m]**

(b)

On 25 June 2024, Shengxin Trading paid credit supplier Sean Fruits $11970 by cheque **[1m]** after deducting cash discount of $630 **[1m]**.

(c) Cost of sales = $500 + $600 = $1100 **[1m]**

(d) Workshop income received in advance **[1m]**

(e)

Shengxin Trading

Extract of Statement of Financial Performance for the year ended 30 June 2024

Add: Other income		$
Workshop income	(1)	4 700 (1)
		[2m]

Q3

(a)

Accounting theory: Consistency theory **[1m]**

Explanation of accounting theory: Once an accounting method is chosen, this method should be applied to all future accounting periods to enable meaningful comparison of accounting information over time. **[1m]**

(b)

Accounting theory: Monetary theory **[1m]**

Explanation of accounting theory: Only business transactions that can be measured in monetary terms are recorded. **[1m]**

(c)

Accounting theory: Going concern theory **[1m]**

Explanation of accounting theory: A business is assumed to have an indefinite economic life unless there is credible evidence that it may close down. **[1m]**

(d)

Q4

(a)

	Ace Academy		
	Journal		
Date	Particulars	Dr($)	Cr ($)
2023			
Dec 31	Income summary	2 100	
	Interest expense		2 100

Workings

(3/12 x 4% x $60 000) + (9/12 x 4% x $50 000) = $2 100

[2m]

1m for correct accounts and 1m for correct amount

(b)

Ace Academy

Extract of Statement of Financial Position as at 31 December 2023

Non-current liabilities	$
Long-term borrowings	40 000 (1)

(c)

1m each for each point.

Decision	Ace Academy should buy a photocopier.
Reason 1	Ace Academy will save $13 600 over three years if it buys a photocopier. Workings 3 x 12 x $600 = $21 600 $21 600 - $8 000 = $13 600
Elaboration 1	Amount saved can be used to pay for Ace Academy's operating expenses.
Reason 2	Ace Academy will be acquiring a photocopier that has not been used before if it buys a photocopier.
Elaboration 2	Hence, the photocopier should be in excellent condition and is less likely to