Name:	Class: Sec	Index No.:			
A ME	ERIDIAN SECONDA ELIMINARY EXAM	ARY SCHOOL INATION 2024			
PRINCIPLES OF ACCOUNTS					
Paper 1	<u> </u>	7087/01			
22 August 2024		iner's Use			
SECONDARY 4 EXPRESS / 5 NORMAL (AC	ADEMIGOtal Marks	1 hour			
Candidates answer on the Question Paper. No Additional Materials are required.					
READ THESE INSTRUCTIONS FIRST					
Write your name, class and index number in the Write in dark blue or black pen. Do not use staples, paper clips, glue or correct the use of an approved calculator is allowed.	-	nis page.			
Answer all questions.					
The businesses described in this question par	per are entirely fictitious.				
The number of marks is given in the brackets	[] at the end of each que	estion or part question.			
The total number of marks for this paper is 40.					
		:			
This document consist	ts of 10 printed pages.				
		Turn over			

(a)	(i) State the two roles of accountants.
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	•••••••••••••••••••••••••••••••••••••••
	[2]
	(ii) State and explain one accounting ethic accountants must uphold.
•••	
•••	
•••	[2]
(b)	State one stakeholder and explain why the stakeholder is interested in the accounting information of a business.
•••	
• • •	
•••	
• • •	

	[2]

	State the five stages in the accounting information system.
 1.	Source documents
 2.	
3.	
4.	
5.	Financial statements [3]
	[3]
(d)	State and explain the accounting theory applied when recording drawings.
	and oxplaint the accounting theory applied when recording drawings.
	•••••••••••••••••••••••••••••••••••••••

[Total: 11]

(c)

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			The second secon	7 780	Dr
3	Utilities expense	72422	AND THE REAL PROPERTY OF THE PARTY OF THE PA	550	7 230	Dr
9	Hong Hui	3	2 200		9 430	Dr
10	Sales revenue		8 440	Andrews among the party and he shade a second by Pillians	17 870	Dr
15	Rent expense	72423	and the state of t	4 900	12 970	Dr
24	Seng Yun	72424		3 280	9 690	Dr
28	Marianne Ho	W. W. S. C.	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	Market and Private on the state of the state			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.

REQUIRED

(a)	Update the cash at bank account for the month of September 2023.
	Cash at bank account
	[4]
(b)	Prepare the bank reconciliation statement as at 30 September 2023.
	Bank reconciliation statement as at 30 September 2023
	[4]

(c)	The business's profit for the month of September 2023 was \$8 400. Calculate the adjusted profit for the month after bank reconciliation.

	[2]

[Total: 10]

3	(a)	Explain one difference between a capital expenditure and a revenue expenditure.
		[2]
		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.
RE	QUIR	ED CONTRACTOR OF THE CONTRACTO
(b)	(i)	State and explain, with an accounting theory, why non-current assets are depreciated.
MS	S 4E/5N/	[2] A Preliminary Examinations 2024

MSS 4E/5NA Preliminary Examinations 2024 Principles of Accounts (7087/01)

(ii)	Calculate the gain or loss on sale of motor vehicle on 7 February 2023.
	[3]
(iii)	State the effect on profit if part (ii) is not adjusted for the year ended 31 December 2023.
	[1]
(iv)	Prepare the motor vehicles account for the year ended 31 December 2023.
	Motor vehicles account
	[3] [Total: 11]

4		wing balances were extracted f mber 2023.	rom the books of Wonderful Studio on
			\$
	Trade red	ceivables	9 000
	Bank ove	erdraft	2 100
		rental expense	7 400
	Trade pa		10 000
		portion of long-term borrowings	16 000
		m borrowings	64 000
		in borrowings sion received in advance	1 000
	Commis	sion received in advance	1 000
	(a) Calcu	ulate the following, to two decin	nal places, on 31 December 2023.
	(i)	Working capital	
		•••••	
	•••••		
			[1]
	(ii)	Current ratio	
	•••••	••••	

	******		[1]
	(iii)	Quick ratio	
	•••••		
	•••••		

	•••••	•••••	

The following information was calculated and recorded for the year ended 31 December 2022.

- \$1 850

Current ratio	1.62			
Quick ratio	0.85			
(b) Comment on the 31 December 2	e liquidity position 022 and 2023.	of the busines	s over the two ye	ears ended
		•••••		
• • • • • • • • • • • • • • • • • • • •	• • • • • • • • • • • • • • • • • • • •			
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				[5]

[Total: 8]

END OF PAPER

Working capital

Name:	Class: Sec	Index No.:
4E5N MERIDIA PRELIMI	AN SECONDAR NARY EXAMINA	Y SCHOOL ATION 2024
PRINCIPLES OF ACCOUNTS 7087/02		Paper 2 23 August 2024
SECONDARY 4 EXPRESS / 5 NORMAL (ACADEMI	C)	2 hours
INSERT		
READ THESE INSTRUCTIONS FIRST This insert contains the data for Question 1.		
	For Exam	liner's Use
	I Otal Marks	
This insert consists of 2 pri	nted pages.	[Turn over

MSS 4E/5NA Preliminary Examinations 2024 Principles of Accounts (7087/02)

Data for Question 1

Wong owns an advertising business, providing advertising services to his customers.

The following balances were extracted from the books of the business on 31 December 2023.

	\$
Fixtures and fittings	350 000
Equipment	70 000
Capital	120 000
Drawings	3 000
Advertising fee revenue	948 000
Rent expense	90 000
Salaries	85 700
General expenses	20 550
Cash at bank	567 050
5% Bank loan	160 000
Interest expense	7 000
Trade receivables	45 000
Allowance for impairment of trade receivables	10 300

Additional information

- 1 As at 31 December 2023,
 - (i) \$22 000 of rent expense had been paid in advance.
 - (ii) Interest on bank loan had not been fully paid.
- 2 A trade receivable who owed \$3 000 was declared bankrupt during the year. The debt has not yet been written off.
- The business decided to make an allowance for impairment of trade receivables based on 8% of its remaining trade receivables.
- Depreciation is at 20% per annum for fixtures and fittings using straight line method and at 10% for equipment using reducing balance method.
- 5 One-quarter of the bank loan was due for repayment on 1 February 2024.
- 6 During the year, the business issued an invoice of \$17 000 for commission not yet received. This has not yet been recorded in the books.

Name:	Class: Sec _	Index No.:
		ONDARY SCHOOL EXAMINATION 2024
PRINCIPLES OF ACCOUNT	s	7007 /00
Paper 2 23 August 2024		7087/02 For Examiner's Use
SECONDARY 4 EXPRESS / 5 I	NORMAL (ACADEMIC) Total	Marks 2 hours
Candidates answer on the Ques	stion Paper.	
Additional Materials: Insert		
READ THESE INSTRUCTION Write your name, class and inder Write in dark blue or black pen. Do not use staples, paper clips, The use of an approved calculate Answer all questions. The businesses described in this The number of marks is given in	ex number in the spaces at the glue or correction fluid. tor is allowed. s question paper are entirely fine the brackets [] at the end of e	ctitious.
This documen	nt consists of 14 printed pages	and 1 insert.
		Turn over

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.

Wong's Advertising Statement of Financial Performance for the year ended 31 December 2023
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[8]

Turn over

(b) Prepare the statement of financial position as at 31 December 2023.		
Wong's Advertising Statement of Financial Position as at 31 December 2023		
,,		

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······································	. .
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[1	 12]
-	_

[Total: 20]

[Turn over

2	ZH sold toiletries	to Daily	Supermarket	on credit.
---	--------------------	----------	-------------	------------

As Daily Supermarket has settled payment for the previous month, there is no balance in its account on 1 August 2023.

The following transactions took place in August 2023.

2023

- Aug 2 ZH sold goods at a list price of \$4 000 less 10% trade discount to Daily Supermarket. The cost of the goods sold was \$2 000.
- Aug 5 Goods at list price of \$600 was returned by Daily Supermarket. The cost of the returned goods was \$300. These goods were bought on 2 August.
- Aug 15 ZH received a cheque for the amount outstanding less cash discount at 5%.
- (a) Prepare Daily Supermarket account in the books of ZH for the month of August 2023.

	Daily Supermarket account
	[4]
(b)	State one difference between trade discount and cash discount.
	[2]

DY is an investor who wishes to invest in a fashion business.

The following information on two businesses, Style Right and Fashion Dream, for the financial year ended 31 December 2023, was provided.

Both businesses sold goods on credit only.

Down businesses using goods off orealt offly.					
Sales revenue Cost of sales Average Trade receivables	Style Right \$ 320 000 82 500 70 000	Fashion Dream \$ 440 000 130 000 30 000			
(c) (i) Calculate the rate of trade period for Fashion Dream.	receivables turnover and Show your answer to tw	d trade receivables collection vo decimal places.			
	•••••••••••••••••••••••••••••••••••••••				
•••••••••••••••••••••••••••••••••••••••					
······································					
	••••••				
	•••••	[2]			
	Style Right	Fashion Dream			
Rate of trade receivables turnover	4.57 times	?			
Trade receivables collection period		2			
(ii) Comment on the managemen	nt of the trade receivable				
,		••••••			
•••••					
	••••••	•••••••••••••••••••••••••••••••••••••••			

[Total:	12]
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	0000 FULL LILE Att of floridge belone		[lotal: 1
On 1 Ja	anuary 2023, FHK Ltd had the following balanc	es. \$	
Issued	share capital, 60 000 shares 12	20 000	
Retaine	ed earnings	37 700	
2023			
Jun 15	Dividends at \$0.05 per share were dec	lared.	
Dec 31	Profit for the year was \$88 190.		
REQUI	RED		
(a)	Prepare the retained earnings account for 31 December 2023.	the financial year	ended
	Retained earnings acc	ount	
	,,		
	•••••••••••••••••••••••••••••••••••••••		[3
On 1 J	anuary 2024, additional 40 000 shares at \$3 ea	ach were issued.	
(b)	Prepare the journal entries to record the share 2024. Narration is not required.	s issued on 1 Jan	uary
	Journal	· · · · · · · · · · · · · · · · · · ·	
Date		Debit \$	Credit \$
2024			
F		4	

(c)	Define	the following.	2]
	(i)	Retained earnings	
			[1]
	(ii)	Dividends	
			[1]
(d)	Explai	n the following accounting theories.	
	(i)	Monetary	
	•••••		•••
			•
	•••••		[1]
	(ii)	Going concern	
	•••••		•••
			••••
	•••••		• • • •
	•••••		[1]

[Total: 9]

4		y Trading buys and sells sport shoes. On 1 April 2024, Henry Trading has a ning inventory of 200 pairs of shoes costing \$30 000.
	Durin	g the month of April 2024, the following transactions occurred:
	2024	
	Apr 4	Bought 200 pairs of shoes costing \$40 000 from Ken Group on credit.
	10	Sold 200 pairs of shoes for \$60 000.
	15	Bought 150 pairs of shoes and issued a cheque of \$15 000 for payment.
	(a)	Define what FIFO stands for and explain how it is used in the valuation of inventory.
		······································
		[3]
	(b)	Prepare the inventory account for the month of April in 2024.
		Inventory account
		[4]

c)	Calculate the gross profit for the month of April in 2024.					
				•••••		
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,					
				[1]		
ale	s were not good and	I the ending inventory could only	be sold for \$11	000.		
inaı	ncial year ends on 3	1 December every year.				
d)	(i) Prepare the	e adjustments on 31 December 2	2024.			
		Journal				
	Date		Debit \$	Credit \$		
	2024		*			
	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -					
	[2]					
	(ii) State the effect on profit and current asset if the inventory was not adjusted.					
	***************************************		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	•••••		
				•••••		
			•••••			
	***************************************			[2]		

Jordan sells smart glasses. He wants to order a new product and is deciding between the two products.

His customers want smart glasses that are user-friendly.

	Smartech	Tedglass
Cost for each smart glass	\$300	\$580
Nature of product	New product in the market, not sold in many stores locally	Can take photos and videos with a button
	Popular overseas	Has excellent resolution
Customer preference	Reviews of the smart glasses are very good. Many likes on the brand's social media.	Popular among people who want hassle-free devices that can be used easily

REQUIRED

Which brand will you recommend Jordan to buy based on the factors in the given scenario? Justify your decision with three reasons.
[7]

[Total: 19]

Additional page

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Additional page

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2024 4E5N Prelim Exam Paper 1 Marking Scheme

1 (a) (i) Accountants

- Prepare and provide accounting information for decision-making / set up an accounting information system [1]
- act as stewards of the business in managing the resources of the business on behalf of the owners. [1]
- (ii) An accountant with integrity [1] is straightforward and honest in all professional relationships. [1]

OR

An accountant who is objective [1] will not let bias, conflict of interest or the undue influence of others override his or her professional judgement. [1]

(b)

Stakeholders	inka jaka Perision stakéholder nay maké 🚣 👢 👢 👢
Owners and	Whether to continue to invest in the business or sell the
shareholders	business, depending on the risks and returns related to the
	business
Managers	Whether to consider ways to improve the performance of the
	business
Employees	Whether to continue working at the business
Lenders	Whether to grant loans to the business, depending on the
	business' ability to repay the loan principal and pay interest
Suppliers	Whether to sell to the business on credit, depending on its ability
	to pay
Customers	Whether to buy from the business, depending on the business'
	ability to provide the goods and/or services that they need and
	good after-sales service
Government	Whether the business complies with the tax regulations and
	decides the amount of tax to collect from the business
Competitors	Whether they are comparable to the business and how to
	improve their own performance

Any one of the stakeholders above [1] with the explanation. [1]

- (c) 2. Journals [1]
 - 3. Ledgers [1]
 - 4. Trial balance [1]
- (d) Accounting entity theory. [1] The activities of a business are <u>separate</u> from the actions of the owner. [1] OR All transactions are recorded from the point of view of the business. [1]

•	, _ ı
Z	E I

Cash at bank accoun

Date	Particulars	Debit (+)	Credit (-) \$	Balance \$
2023				
Sep 30	Balance b/d			19 000 Dr [1]
	Rent expense (Error)	810 [1]		
	Marianne Ho		4 170 [1]	
	Interest income	40 [1]		
Oct 1	Balance b/d			15 680 Dr

(b)

Bank Reconciliation statement as at 30 September 2023

	Þ
Balance as per bank statement	11 090 [1]
Add: Deposit in transit – CH Agency [1]	7 540
Less: Unpresented cheques – Utilities expense [0.5]	(550)
- WK Retail [0.5]	(2 400)
Adjusted balance as per cash at bank account [1] of	<u>15 680</u>

(c) Adjusted profit = \$8 400 + \$810 [1] + \$40 [1] = \$9 250

3 (a)

Capital Expenditure	Revenue Expenditure
Cost to buy and bring the non-current asset to a ready-to-use condition	Cost to operate, repair and maintain the non-current asset in working condition
Provides benefits that last for more than one year	Provides benefits which will be used up within one year
Recorded as a non-current asset in the statement of financial position	Recorded as an expense in the statement of financial performance

Any pair of difference above. [2]

(b) (i)

Matching theory [1]

When a business uses non-current assets to generate income, a portion of the cost of the non-current asset has to be recorded as depreciation expense so as to match this expense against the income earned in the same financial period to arrive at the profit for the period. [1]

OR

Prudence theory [1]

Non-current assets are depreciated so as not to overstate the profit and asset. [1]

(ii) Gain or loss on sale of non-current asset = Sale proceeds – Net book value

Net book value = Cost – Accumulated depreciation

= \$60 000 – (20% x \$60 000) [1]

= \$48 000 [1]

Loss on sale of non-current asset = \$48 000 - \$10 000 = \$38 000 [1]

(iii) Profit will be overstated by \$38 000. [1] of

(iv)

Motor vehicles account				
Date	Particulars	Debit (+)	Credit (-) \$	Balance \$
2023				
Jan 1	Balance b/d			120 000 Dr [1]
Feb 7	Sale of non-current asset		60 000 [1]	.
Apr 1	Trade payable - Lee Motors	88 000 [1]		
2024				
Jan 1	Balance b/d			148 000 Dr

4 (a) (i) Working capital = Current assets - Current liabilities

```
= ($9 000 + $7 400) - ($2 100 + $10 000 + $16 000 + $1 000)
= $16 400 - $29 100
= - $12 700 [1]
```

- (ii) Current ratio = CA / CL = \$16 400 / \$29 100 = 0.56 [1]
- (iii) Quick ratio = (CA Inventory Prepayments) / CL = \$9 000 / \$29 100 = 0.31 [1]
- (b) *Working capital has worsened from \$1 850 to -\$12 700 over the two years, 2022 to 2023. [1]

*Current ratio has worsened from 1.62 to 0.56 from 2022 to 2023. [1]

This implies the business has lesser assets to cover the liabilities. [1]

For both 2022 and 2023, the business' current ratio falls below the benchmark of 2. [1]

*Quick ratio has worsened from 0.85 to 0.31 over the two years, 2022 to 2023. [1]

This implies that the business has lesser quick assets to cover its liabilities. [1]

For both 2022 and 2023, the business' quick ratio falls below the benchmark of 1. [1]

Hence, the liquidity has been bad and deteriorated from 2022 to 2023. [1]

2024 4E Prelim Exam Paper 2 Marking Scheme

1(a)

1(a)		<u>-</u>
Wong		
Statement of financial performance for the year ended	31 December	2023
	\$	\$
Advertising fee revenue		948 000 [1]
Add: Other income		
Comission income		17 000 [1]
Less: Other expenses		
Rent expense (90 000 – 22 000)	68 000	[1]
Salaries	85 700	
General expenses	20 550	
Interest expense (5% x 160 000)	8 000	[1]
Depreciation on fixtures and fittings (20% x 350 000)	70 000	[1]
Depreciation on equipment (10% x 70 000)	7 000	[1]
Reversal on impairment loss on trade receivables (8% x 42 000 – 7 300)	(3 940)	[1]
Profit for the year		709 690 [1] of

(b)

1 Decensor \$ 50 000 70 000 [1] 3 360	70 000 7 000 38 640 [1] 567 050 22 000 [1] 17 000 [1]	Net book value \$ 280 000 [1] 63 000 [1] 343 000
70 000 	70 000 7 000 38 640 [1] 567 050 22 000 [1]	[1] 63 000 [1] 343 000
70 000 	38 640 [1] 567 050 22 000 [1]	[1] 63 000 [1] 343 000
70 000 	38 640 [1] 567 050 22 000 [1]	[1] 63 000 [1] 343 000
00 [1]	38 640 [1] 567 050 22 000 [1]	343 000
	567 050 22 000 [1]	644 690
	567 050 22 000 [1]	644 690
3 360	567 050 22 000 [1]	644 690
	567 050 22 000 [1]	644 690
	22 000 [1]	644 690
		644 690
	17 000 [1]	644 690
		644 690
		987 690
		826 690
		120 000 [1]
		
	40 000 [1]	
	1 000 [1]	41 000
		987 690 [1] of
_		40 000 [1] 1 000 [1]

2 (0)	Trade receivable - Daily Supermarket Particulars Balance			
^{2 (a)} ate	Particulars	Bebit s	Credit \$	Balance \$
2023				
Aug 2	Sales revenue (4 000 x 90%)	3 600 [1]		3 600 Dr
5	Sales returns (600 x 90%)		540 [1]	
15	Cash at bank (95% x 3 060)		2 907 [1]	
15	Discount allowed (5% x 3 060)		153 [1]	

(b) Trade discount is a deduction off the list price [1] while cash discount is a deduction off the invoiced price. [1]

Trade discount is given to encourage bulk purchase [1] while cash discount is to encourage earlier payment. [1]

(c) (i)

v	\''\				
		Fashion Dream			
	Rate of trade	14.67 times [1]			
	receivables turnover				
	Trade receivables	24.89 days [1]			
	collection period				

(ii)

Style Right's rate of trade receivables turnover of 4.57 times, which is worse than Fashion Dream's 14,67 times. [1]

Style Right's trade receivables collection period of 79.84 days, which is worse than Fashion Dream's 24.89 days. [1]

This means that Style Right is collecting payment from its credit customers on a less timely basis than Fashion Dream. [1] OR taking longer time to collect back the payment from trade receivables. [1]

Style Right is less efficient in managing its trade receivables than Fashion Dream. [1]

Date	Particulars	Debit \$	Credit \$	Balance \$
2023			_	<u> </u>
Jan 1	Balance b/d		, , , , , , , , , , , , , , , , , , , ,	37 700 Cr [1]
Dec 31	Dividends (60 000 x 0.05)	3 000 [1]		
	Income summary		88 190 [1]	122 890 Cr
2024			-	
Jan 1	Balance b/d			122 890 Cr
(b)	Journa	<u> </u>		•

(0)	Journal		
Date	Particulars	Debit \$	Credit \$
2024			
Jan 1	Cash at bank (40 000 x 3)	120 000 [1]	
	Share capital		120 000 [1]

- (c) (i) Retained earnings refer to the accumulated profits NOT distributed to the shareholders. [1]
 - (ii) Dividends refer to the portion of retained earnings distributed to the shareholders. [1]
- (d) (i) Monetary theory states that only business transactions that can be measured in monetary terms are recorded. [1]
 - (ii) Going concern theory states that a business is assumed to have an indefinite economic life unless there is credible evidence that it may close down. [1]

- 4 (a) FIFO stands for first in first out. [1] It means that goods bought first are sold first [1] and the ending inventory are the goods that will be sold last. [1]
- (b) Inventory account

(c) Gross profit = \$60 000 - \$30 000 = \$30 000 [1]

(d) (i) Journal Date **Debet**bit Particulars Creedit Balance **\$**\$ \$ 2**90#**4 **Battaircs**elot oss on inventory Depr31 44 000 [1] 30 000 Dr Inventory 44 000 [1] [1] Trade payable - Ken Group 40 000 [1] 10 Cost of sales 30 000 [1] 15 Cash at bank 15 000 [1] 55 000 Dr May 1 Balance b/d 55 000 Dr

(ii) Profit will be overstated by \$44 000 [1]

Current asset will be overstated by \$44 000 [1]

SBQ - inventory

Decision: Smartech [1]

Cost for each smart glass at \$300 is \$280 lower [1] and hence more profitable to sell. [1]

A new product in the market and not sold in many stores locally [1] and hence cater to customers who wants to buy. [1] / Less competition [1]

Popular overseas [1] and hence customers' demand is high. [1]

Reviews of the smart glasses are good and many likes [1] and hence attracts customers.

OR

Decision: Tedglass [1]

Can take photos and videos with a button [1] and hence user-friendly, appealing to customers with their needs. [1]

Has excellent resolution [1] and hence attracts customers who wants to take good pictures. [1]

Popular among people who wants hassle-free devices [1] and hence meet customers' demand. [1]