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FAJAR SECONDARY SCHOOL
2022 PRELIMINARY EXAMINATIONS
SECONDARY 4 EXPRESS / 5 NORMAL (ACADEMIC)

CANDIDATE NAME					
CLASS				INDEX NUMBER	

PRINCIPLES OF ACCOUNTS 7087/01

Paper 1

Setter: Ms Sabrina
Additional Materials: Nil

Date: 26 August 2022
Duration: 1 hour

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number on all the work you hand in.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams or graphs.
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.

The total marks for this paper is **40**.

Do not open this document till permission is given.

This document consists of **9** printed pages and **1** blank page

Answer **all** questions.

1 Sanjith set up his business on 1 January 2021. He needed advice on some terms.

REQUIRED

(a) State the role of accounting.

………………………………………………………………………………………………………..............

………………………………………………………………………………………………………..…..[1]

(b) Explain the meaning of each of the professional ethics of accounting.

i. Integrity

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…………………………………………………………………………………………………...[1]

ii. Objectivity

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…………………………………………………………………………………………………...[1]

(c) Explain the going concern theory.

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………………………………………………………………………………………………………..…..[2]

Sanjith started the business on 1 January 2021 by depositing $50 000 into the business bank account.

During the year, Sanjith withdrew goods worth $500 for personal use. He also took $800 cash to pay for his personal utilities.

The business made a profit of $65 000 for the year ended 31 December 2021.

REQUIRED

(d) Prepare the following journal entries:

i. To transfer drawings to the capital account on 31 December 2021

Date	Particulars	Debit $	Credit $

[2]

ii. To transfer profit for the year to the capital account on 31 December 2021

Date	Particulars	Debit $	Credit $

[2]

(e) Prepare an extract of the statement of financial position as at 31 December 2021 to show the equity section.

Sanjith
Statement of financial position as at 31 December 2021

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……

……

……[1]

[Total: 10]

2 Krystal's business buys goods from Valerie Supplies on credit.

Trade payable – Valerie Supplies

Date	Particulars	Debit	Credit	Balance
2022		$	$	$
Jun 1	Balance b/d			6 400 Cr
3	Inventory		8 000	
6	Inventory	1 000		
16	Cash at bank	6 080		
16	Discount received	320		
Jul 1	Balance b/d			7 000 Cr

REQUIRED

(a) Explain the difference between a cash transaction and a credit transaction.

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....[2]

(b) Interpret the entries on the following dates:

6 June

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....[1]

16 June

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....[2]

(c) Calculate the rate of discount received on 16 June 2022.

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....[1]

(d) Using the objectivity theory, explain why source documents are required.

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………[2]

(e) Identify the source document used on the following dates:

3 June: ……………………………………………………………………………………………………..[1]

6 June: ……………………………………………………………………………………………………..[1]

[Total 10]

3 On 1 May 2021, Rianne Trading obtained a bank loan of $150 000 at an interest rate of 4% per annum. The loan is to be paid equally over five years. The first payment, together with the interest, fell on 30 April 2022.

The financial year of the business ends on 31 December.

REQUIRED

(a) Prepare the following journal entries:

i. To record obtaining a loan on 1 May 2021

Date	Particulars	Debit $	Credit $

[2]

ii. To record the payment of interest on 30 April 2022

Date	Particulars	Debit $	Credit $

[2]

iii. To record the repayment of loan on 30 April 2022

Date	Particulars	Debit $	Credit $

[2]

(b) Calculate the interest expense incurred for the year ended 31 December 2022.

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………...[2]

(c) Explain the accrual basis of accounting.

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………...[2]

[Total: 10]

4 Melissa Trading provided the following information at 31 August 2022.

	$
Bank overdraft	500
Bank loan	10 000
Trade receivables	9 900
Trade payables	7 100
Inventory	14 000
Prepaid expenses	1 200
Current portion of long-term borrowings	5 000
Motor vehicles	200 000

REQUIRED

(a) Calculate the following to **two** decimal places for the year ended 31 August 2022.

i. Current ratio

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....[1]

ii. Quick ratio

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....[1]

Melissa Trading provided the following details about the business performance for years ended 31 August 2020, 2021 and 2022.

	2020	2021	2022
Current ratio	2.54	2.20	?
Quick ratio	1.62	0.91	?

The following information is available.

1. The business buys goods in bulk to anticipate potential demand.
2. All purchases and sales are made on credit.
3. Over the years, new motor vehicles were purchased.

REQUIRED

(b) Comment on the liquidity of the business over the three years. Use the information provided and suggest **three** possible reasons for the trend.

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(c) Besides obtaining a bank loan. recommend **two** actions that the business could take to improve its liquidity.

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....[2]

[Total: 10]

END OF PAPER