NAME:	NO:	CLASS:

ADMIRALTY SECONDARY SCHOOL

PRELIMINARY EXAMINATION 2024

SUBJECT	: Principles of Accounts
CODE/PAPER	: 7086/1
LEVEL/STREAM	: Secondary 4 Normal (Academic)
DATE	: 26 July 2024
TIME	: 1030h – 1130h
DURATION	: 1 hour

READ THESE INSTRUCTIONS FIRST

Write your index number and name in the spaces at the top of this page.
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.
The use of an approved calculator is allowed.

Answer **all** 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.

40

PLEASE DO NOT TURN OVER THE PAPER UNTIL YOU ARE TOLD TO DO SO.

Answer **ALL** questions.

1 Rick is the accountant of Urban Elegance, a clothing business.

REQUIRED

(a) Explain the role of accountants.

[2]

(b) Name and explain **one** professional ethic accountants must have.

[2]

On 31 May 2024, Rick discovered the following errors in the books of the business.

1 Payment of $5 400 by cheque for rent has been recorded as $6 400 in the books.

2 Purchase of laser printer worth $1 200 has been recorded in the motor vehicles account.

3 Credit sale of $2 000 to Mike has been debited to the sales revenue account and credited to trade receivable – Mike account.

REQUIRED

(c) Prepare journal entries to correct each error above. Narrations are **not** required.

Journal

[6]

(d) State the effect of error (1) and (3) on profit for the year.
For example: Overstated by $50 / Understated by $50 / No effect

Error 1:

Error 3:

[2]

[Total: 12]

2 Classy Carriers is a business selling handbags. The cash at bank account and bank statement of Classy Carriers are as follows.

Cash at bank account

Date	Particulars	Cheque	Debit	Credit	Balance
2024			$	$	$
Apr 1	Balance b/d				13 450 Dr
5	MaxCraft		4 500		17 950 Dr
11	Bella Bags	20138		1 165	16 785 Dr
18	Jackson Trading		2 430		19 215 Dr
23	Style Haven	20139		900	18 315 Dr
30	Trend Tide		3 300		21 615
May 1	Balance b/d				

Bank Statement

Date	Particulars	Withdrawals	Deposit	Balance
2024		$	$	$
Apr 1	Balance b/d			13 500 Cr
1	Cheque no: 20133	50		13 450 Cr
7	Cheque deposit		4 500	17 950 Cr
11	Rejected cheque (7 Apr)	4 500		13 450 Cr
18	Direct payment - Rent	1 200		12 250 Cr
24	Direct deposit - Leathercare		4 890	17 140 Cr
27	Cheque no. 20138	1 165		15 975 Cr
29	Cheque deposit		2 430	18 405 Cr
30	Bank charges	30		18 375 Cr

REQUIRED

(a) Prepare the adjusted cash at bank account for the month of April 2024.

Cash at bank account

[5]

(b) Prepare the bank reconciliation statement as at 30 April 2024.

Classy Carriers
Bank Reconciliation Statement as at 30 April 2024

[4]

(c) State the effect of bank reconciliation adjustments on profit for the month ended 30 April 2024.

....

[1]

(d) Name **one** type of internal control over cash other than bank reconciliation.

....

[1]

(e) State **one** reason why cheques are rejected by banks.

....

[1]

[Total: 12]

3 On 1 May 2022, Cheng's business has a balance of $6 100 in its inventory account.

The following transactions occurred in Cheng's business in the month of May 2022.

2022	
May 5	Bought goods costing $5 900 from Koon Ltd on credit.
10	Returned goods worth $200, previously bought on 5 May, to Koon Ltd.
19	Sold goods to Edward Trading for $3 200 on credit. The cost of goods sold was $1 900.

REQUIRED

(a) State the basis of inventory valuation.

[1]

(b) State the accounting theory applied in the valuation of inventory.

[1]

(c) Prepare the inventory account for the month of May 2022 and bring down the balance to the next month.

Inventory account

[5]

On 31 July 2022, $2 600 worth of the goods were destroyed in a fire.

REQUIRED

(d) State the **effect** and **amount** on profit for the period and current assets if the value of the inventory was not adjusted.

---

[2]

[Total: 9]

4 Alfred owns Alfred's Attire, a business specialising in men's clothing. He provided the cash at bank account for the month of August 2023.

Cash at bank account

2023		Dr $	Cr $	Bal $
Aug 1	Balance b/d			10 800 Dr
8	Inventory		2 000	8 800 Dr
16	Loan from Regal Bank	5 000		13 800 Dr
24	Imperial Trading	450		14 250 Dr
29	Drawings		100	14 150 Dr

REQUIRED

(a) Identify the source documents used to record the transactions on the following dates.

		Source document
(i)	8 August 2023	
(ii)	24 August 2023	

[2]

(b) Name the accounting theory that is applied when recording business transactions based on source documents.

[1]

(c) Interpret the entries on the following dates:

(i) 8 August 2023

[1]

(ii) 16 August 2023

[1]

(iii) 24 August 2023

....

.... [1]

(iv) 29 August 2023

....

.... [1]

[Total: 7]

End of paper

Sec 4NA POA Prelim (2024) Paper 1
Marking Scheme

1a)
Accountants are stewards of businesses who set up the accounting information system [1] to provide timely, relevant and credible information to stakeholders for decision-making.[1]

1b)
Professional ethic 1: Integrity

An accountant with integrity is straightforward and honest in all professional relationships.

OR

Professional ethic 2: Objective

An accountant who is objective will not let bias, conflict of interest or undue influence override his or her professional judgement

[any one point @2m]

1c)

Journal			
Date	**Particulars**	**Debit $**	**Credit $**
2024			
May 31	Cash at bank (6400 – 5400)	1 000 [1]	
	Rent expense		1 000 [1]
31	Office equipment	1 200 [1]	
	Motor vehicles		1 200 [1]
31	Trade receivable – Mike	4 000 [1]	
	Sales revenue		4 000 [1]

1d)
Error 1 – profit understated by $1 000 [1]
Error 3 – profit understated by $4 000 [1]

2a)

Cash at bank account

Date	Particulars	Debit	Credit	Balance	
2024		$	$	$	
Apr 30	Balance b/d			21 615 Dr	
	Trade receivable – MaxCraft		4 500	17 115 Dr	[1]
	Rent expense		1 200	15 915 Dr	[1]
	Trade receivable - Leathercare	4 890		20 805 Dr	[1]
	Bank charges		30	20 775 Dr	[1]
May 1	Balance b/d			20 775 Dr	[1]

2(b)

Classy Carriers	
Bank Reconciliation Statement as at 30 April 2024	
	$
Balance as per Bank Statement	18 375 [1]
Add: Deposits in transit	
Trade receivable – Trend Tide	3 300 [1]
Less: Cheques not yet presented	
Trade payable – Style Haven (cheque number: 20139)	900 [1]
Balance as per adjusted cash at bank account	20 775 [1]

2(c)

Profit will decrease by $1 230 (-1200 – 30) [1]

2(d)

Segregation of duties

Custody of cash

Authorisation

[any point @1m]

2(e)
A cheque is rejected by banks if
- the cheque has expired
- the cheque is post-dated
- information on the cheque is not consistent
- information on the cheque is not complete and
- the payer's bank account does not have enough money; is closed; or is frozen

[any point @1m]

3a) Inventory should be valued at cost or net realizable value, whichever is lower. [1]

3b) Prudence theory [1]

3c)

Inventory account

Date	Particulars	Debit	Credit	Balance	
2022		$	$	$	
May 1	Balance b/d			6 100 Dr	[1]
5	Trade payable – Koon Ltd	5 900		12 000 Dr	[1]
10	Trade payable – Koon Ltd		200	11 800 Dr	[1]
19	Cost of sales		1 900	9 900 Dr	[1]
Jun 1	Balance b/d			9 900 Dr	[1]

3d) Profit will be overstated by $2 600. [1]
Current assets will be overstated by $2 600. [1]

4a)

		Source document
(i)	8 August 2023	Payment voucher [1]
(ii)	24 August 2023	Receipt [1]

4b) Objectivity theory [1]

4c)
(i) The business bought goods worth $2 000 and paid by cheque. [1]

(ii) The business borrowed $5 000 from Regal Bank. [1]

(iii) The business received a cheque of $450 from a credit customer, Imperial Trading. [1]

(iv) The owner withdrew $100 from the business bank for personal use. [1]