EXP/NA	PUNGGOL SECONDARY SCHOOL SECONDARY 4/5 EXPRESS / NORMAL ACADEMIC 2024 PRELIMINARY EXAMINATION **QUESTION & ANSWER BOOKLET**

NAME

CLASS

INDEX NUMBER

Principles of Accounts **7087/01**

Paper 1

26 August 2024

1 hour

READ THESE INSTRUCTIONS FIRST

Write your class, register number and name on all the work you hand in.
Write in dark blue or black ink on both sides of the paper.
You may use a soft pencil for any diagrams, graphs, tables or rough working.
Do not use staples, paper clips, glue or correction fluid.

Answer **ALL** questions

Write your answers in the spaces provided.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.
The use of an approved scientific calculator is expected, where appropriate.

For Examiner's use	
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-	-
-	-
Total	/40

Parent's Signature

This paper consists of **10** printed pages and **0** blank page.

Setter(s) : Ms Ng Fulia	Vetter : Mr Liao Haoyu

Answer **all** questions.

1 The following information was extracted from the books of Jayden Fishery Pte Ltd.

Advertising expense account				
Date	Particulars	Debit ($)	Credit ($)	Balance ($)
2023				
Aug 1	Advertising expense payable **(i)**		5 200	5 200 CR
Nov 7	Cash at bank **(ii)**	19 000		13 800 DR
2024				
Apr 9	Cash at bank	22 000		35 800 DR
Jul 31	Prepaid advertising expense **(iii)**		2 800	33 000 DR
	Income summary		33 000	-

REQUIRED

(a) Define Expense payable.

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[1]

(b) Explain the following transactions.

(i) 1 August 2023

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[2]

(ii) 7 November 2023

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[1]

(iii) 31 July 2024

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[2]

(c) Explain, using an appropriate accounting theory, the need to adjust for prepaid advertising expense for the year ended 31 July 2022.

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[2]

[Total:8]

2 Hala owns a gocery shop. Details from the cash at bank account and bank statement of the business for the month of March 2024 are as follows:

Bank Statement

Date 2024	Particulars	Withdrawal $	Deposit $	Balance $
Mar 1	Balance b/d			6 290 Cr
4	Credit transfer – Bobo		2 850	9 140 Cr
7	Cheque 10210	1 250		7 890 Cr
8	Cheque 10209	790		7 100 Cr
9	Cheque deposit		1 700	8 800 Cr
14	Cheque deposit		2 010	10 810 Cr
15	Cheque returned (deposited on 14 Jan)	2 010		8 800 Cr
18	Cheque 10212	8155		645 Cr
27	Cash		350	995 Cr
31	Interest		85	1 080Cr

Cash at Bank

Date 2024	Particulars	Cheque Number	Debit $	Credit $	Balance $
Mar 1	Balance b/d				5 500 Dr
3	Utilities	10210		1 250	4 250 Dr
4	Liching Kitchen	10211		750	3 500 Dr
10	Sales revenue		1 700		5 200 Dr
12	Cocoa Store		2 010		7 210 Dr
15	Insurance	10212		8 355	1 145 Cr
22	Toys Shop	10213		875	2 020 Cr
27	Cash in hand		350		1 670 Cr
31	Commission		1 850		180 Dr

Additional information:

Hala has recorded the amount for cheque number 10212 incorrectly in his books.

REQUIRED

(a) Update the cash at bank account on 31 March 2024 and bring down the new balance.

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[5]

(b) Prepare a bank reconciliation statement on 31 March 2024.

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[4]

(c) State **one** possible reason why the cheque was returned on 15 January.

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[1]

(d) State the effect of the bank reconciliation adjustments on the profit for the period.

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[1]

[Total: 11]

3 Charvi, the owner of a trading business, started his operations on 1 April 2021.
The total amount of trade receivables at the end of each financial period is shown below.

	31 March 2022	31 March 2023	31 March 2024
Trade receivables	$ 120 000	$90 000	$100 000

Additional information

1. Charvi reviews the list of trade receivables at the end of every financial year and estimates that 3% of its trade receivables is deemed to be uncollectible.

2. On 22 October 2022, Steven Trading who owed $4 000 was declared bankrupt. Charvi was able to collect 40 cents for every dollar owed by Steven Trading and wrote off the remaining amount.

REQUIRED

(a) Explain, with a relevant accounting theory, why an allowance for impairment of trade receivables should be made annually.

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[2]

(b) Prepare journal entries to record the following transactions. Narrations are **not** required. Show all workings clearly.

(i) Write-off of balance on 22 October 2022.

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[2]

(ii) Adjustments of the allowance for impairment of trade receivables on 31 March 2023 and 31 March 2024.

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[4]

(c) Explain the effect on owner's equity if the allowance for impairment of trade receivables was not adjusted on 31 March 2022.

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[2]

[Total: 10]

4 Kane Limited is a football apparels trading company which prepares its financial statements to 31 December of every year.

REQUIRED

(a) State the order in which financial transactions are processed through the accounting information system.

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[2]

(b) Name and explain **one** principle of professional ethics which must be applied by accountants in the preparation and presentation of accounting information.

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[2]

Maguire Private Limited is a footwear manufacturing business. As at 1 January 2023, the business has 55 000 shares previously issued to shareholders at $1.50 per share.

The following transactions took place in the business during the financial year ended 31 December 2023.

2023	
Feb 16	10 000 shares were issued at $1.80 per share. All the shares were fully paid.
Dec 31	The company made a profit of $86 000.
31	Dividends was declared at $0.06 per share. Dividends declared is agreed to be paid on 1 June 2024.

REQUIRED

(c) Define Retained Earnings.

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[1]

(d) Prepare the journal entries to record dividends declared, transferring of dividends and profit to the retained earnings account on 31 December 2023. Narrations are **not** required.

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[6]

[Total: 11]

---------------- End of Paper ------------------

1(a) (i) Advertising expense of $4000 was **incurred but not yet paid** for in the last financial year ended 31 July 2021**[1]**. As such, it is now **reversed** and **deducted** from this year's advertising expense as it is not this year's advertising expense. **[1]**

(ii) Advertising expense of $20 000 was paid by **cheque** for the year ended 31 July 2022. **[1]**

(iii) Advertising expense amounting to $2 000 was **paid but not yet incurred** for the year ended 31 July 2022**[1]**. As such, it is recorded as a current asset and **deducted** from this year's advertising expense **[1]**.

(b) **Accrual basis of accounting** states that business activities that have occurred, regardless of whether cash is paid or received, should be recorded in the relevant accounting period**[1]**. As such, since prepaid advertising expense had not yet been incurred, it is deducted from advertising expense account and recorded as a current asset instead **[1]**.

Cash at bank account				
Date	Particulars	Dr	Cr	Balance
2023		$	$	$
Jan 31	Balance b/d			4960
31	Trade receivable - Bobo	2850		7810
31	Trade receivable CoCo Store		2005	5805
31	Insurance expense (Correction)		6000	195
31	Interest income	100		95
Feb 1	Balance b/d			95
Feb 1	Balance b/d			95

Bank Reconciliation Statement as at 31 January 2023		
	$	$
Balance as per bank statement		(320)
Add: Deposits in transit*		
Commission		1850
Less: Cheques not yet presented*		
Trade payable Pei Pei Kitchen	750	
Trade payable Toyworld	875	1625
Adjusted balance as per cash at bank account		(95)

***Deduct 1 mark if Bank reconciliation sub-headings are wrong / omitted.**				
Cheque has expired. **(1)**				
Cheque is post-dated. **(1)**				
Inconsistent information on cheque. **(1)**				
Incomplete information on cheque. **(1)**				
Coco Store's bank account does not have sufficient money. **(1)**				
Coco Store's bank account is closed or frozen. **(1)**				
MAX 1				
Profit will **decrease** by **$5900**.				

(a)	According to the prudence theory, assets and profits should not be overstated while liabilities and losses should not be understated. The allowance for impairment of trade receivables is a deduction against the book value of trade receivables and will ensure that trade receivables is not overstated.

(b)(i)

2019		Dr ($)	Cr ($)
Oct 15	Dr Allowance for impairment of trade receivables	1 400	
	Cr Trade receivable – Kris Trading (70% x 2000)		1 400

(b)(ii)

2019		Dr ($)	Cr ($)
Jun 30	Dr Allowance for impairment of trade receivables	900	
	Cr Impairment loss on trade receivables [(2%x110,000) – (2%x65000)]		900
2020			
Jun 30	Dr Impairment loss on trade receivables	1 940	
	Cr Allowance for impairment of trade receivables		1 940
	[(2%x92000) – (1300 – 1400)]		

(c)	Owner's equity will be understated by $900 because profit is understated by $900. This is because impairment loss on trade receivables is not reversed and hence expenses is overstated by $900.