



Preliminary Examination in preparation for
the General Certificate of Education Ordinary Level 2024

CANDIDATE
NAME

CLASS

REGISTER
NUMBER

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

27 August 2024

1 hour

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your name, class and register number in the spaces provided on the work you hand in.

Write in dark blue or black pen.

You may use an HP pencil for rough working.

Do not use staples, paper clips, glue, correction fluid or correction tape.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may need all the lines for your answer.

The businesses mentioned in this question paper are fictitious.

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

For Examiner's Use	
1	
2	
3	
4	

Answer **all** questions.

- 1** Thomas Trading buys goods from Ashlyn.

The business provided the following information for month of February 2024.

Ashlyn account				
Date	Particulars	Dr	Cr	Bal
2024		\$	\$	\$
Feb 1	Balance b/d			2 180 Cr
4	Inventory		1 500	3 680 Cr
12	Cash at bank	1 440		2 240 Cr
12	Discount received	360		1 880 Cr
21	Inventory		6 420	8 300 Cr
23	Inventory	500		7 800 Cr

REQUIRED

- (a)** Explain what a trade discount is.

[1]

- (b)** Interpret the entries on the following dates.

- (i)** 12 February 2024

[2]

- (ii)** 23 February 2024

[1]

- (c)** Calculate the rate of discount on 12 February 2024.

[1]

(d) Identify the source document used on the following dates.

(i) 4 February 2024

[1]

(ii) 23 February 2024

[1]

(e) State **two** non-accounting information Thomas Trading should consider when deciding which supplier to buy from.

[2]

[Total: 9]

- 2 Zhi Heng operates a pet supplies business. He supplied the following information for the year ended 31 March 2024.

	Units	\$
Inventory as at 1 April 2023	500	2 700
Sales revenue for the year ended 31 March 2024	1 230	7 600

During the year ended 31 March 2024, the following purchases were made.

1 July 2023	200 units for \$1 450 from Ron.
15 October 2023	350 units for \$1 900 from Qi.
14 February 2024	180 units for \$1 200 from Le.
17 March 2024	100 units for \$700 from Xi.

Additional information:

1. Zhi Heng uses the First-In-First-Out (FIFO) method of inventory valuation.
2. All sales and purchases were made on credit.
3. The net realisable value of the inventory as at 31 March 2024 was \$500.

REQUIRED

- (a) State how inventory is valued.

_____ [1]

- (b) Calculate the total cost of sales for the year ended 31 March 2024.

_____ [2]

- (c) Prepare journal entries to adjust the ending inventory value as at 31 March 2024.

Journal

Date	Particulars	Dr	Cr

\$

\$

[2]

- (d) State the effect and amount on profit for the year ended 31 March 2024 if the ending inventory was **not** adjusted.

[1]

The rate of inventory turnover for the year ended 31 March 2023 was 6 times.

REQUIRED

- (e) Calculate the rate of inventory turnover for the year ended 31 March 2024.

[2]

- (f) Comment on rate of inventory turnover over the two years ended 31 March 2023 and 2024.

[3]

[Total: 11]

- 3 Chloe runs a minimart. The business rents out a part of the minimart to Jude for \$1 200 per month.

Chloe provided the following information for the year ended 30 June 2024.

Account balances at 1 July 2023	\$
Salaries expense payable	600

On 28 June 2024, the business paid \$8 000 salaries through an electronic bank transfer. On this date, the business also received rental income by cheque.

Account balances at 30 June 2024	\$
Rental income received in advance from Jude	400
Salaries expense payable	200

REQUIRED

- (a) Calculate the amount of rental income to be shown in the statement of financial performance for the year ended 30 June 2024.

[1]

- (b) Calculate the amount of rental income received by cheque on 28 June 2024.

[2]

- (c) Prepare journal entries to record the salaries owing as at 30 June 2024 and the closing entries at the end of the financial year.

Journal

Date	Particulars	Dr	Cr
		\$	\$

[4]

- (d) State the accounting theory that is being applied when accounting for salaries expense.

_____ [1]

- (e) State the effects and amounts on the profit for the year and liabilities if the rental income at the end of the financial year was **not** adjusted.

_____ [2]

- (f) State **two** internal control measures a business may use to safeguard cash.

_____ [2]

[Total: 12]

4 Benton, a sole proprietor, discovered the following errors on 31 December 2023, after the financial statements were prepared.

- 1 The return of goods worth \$560 by Larry, a credit customer, was debited to Larry's account and credited to sales returns account.
- 2 A purchase of a printer worth \$300 by cheque has been recorded in the office supplies expense account.

The profit for the year ended 31 December 2023 before the errors were discovered was \$800.

REQUIRED

(a) Complete the table to show how error 1 should be corrected.

Error	Account to be debited	Account to be credited	Amount (\$)
1			

[3]

(b) Calculate the adjusted profit or loss for the year ended 31 December 2023.

[2]

(c) State the accounting theory which must be applied when accounting for the sale and delivery of goods.

[1]

(d) Explain the limitation of a balanced trial balance.

[2]

[Total: 8]

[END OF PAPER]