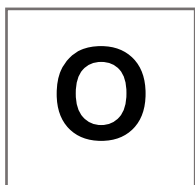


Name : _____ Index Number : _____ Class: _____



**Preliminary Examination 2024
Secondary 4 & 5**

**PRINCIPLES OF ACCOUNTS
Paper 1**

**7087/01
11 September 2024
1 hour**

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

READ THESE INSTRUCTIONS FIRST

Do not open the booklet until you are told to do so.
Write your name, index number and class on all the work you hand in.
Write in dark blue or black pen.
The use of an approved calculator is allowed.
Do not use staples, paper clips, glue, or correction fluid.

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

For Examiner's Use
40

- 1** Rachel started a new business selling electronic products.
She purchased supplies on credit from Harly Norman Wholesale Electrical.

The following transactions took place during the month of June 2024.

- 6 June Rachel purchased electrical goods, list price \$3 000 and received a trade discount of 10%.
- 9 June Rachel returned some damaged electrical goods, list price \$600 bought on 6 June, to Harly Norman Wholesale Electrical.
- 15 June Rachel paid \$1 836 by cheque, as full settlement for the amount owing.

REQUIRED

- (a)** State the type of business Rachel had started.

_____ [1]

- (b)** Complete the following table to name the source document that Rachel would use to record each of the transactions on the following dates.

	Source document
6 June	
9 June	
15 June	

[3]

- (c)** State the purpose of a trade discount.

_____ [1]

- (d)** Calculate the percentage of the cash discount on 15 June 2024.

_____ [2]

On 20 June 2024, Rachel received a call from Harly Norman Wholesale Electrical, informing her that the cheque of \$1 836 has been dishonoured.

REQUIRED

(e) State **two** reasons why a cheque may be dishonoured.

[2]

[Total: 9]

- 2 John runs a business provides plumbing services. The business has a financial year end of 30 June 2024.

The plumbing fee income received during the year was \$86 400.

John provided plumbing services, which amounted to \$1 760, which had not been received by the business at the end of the financial year.

REQUIRED

- (a) Name and explain the accounting theory applied when accounting for the provision of services.

Name: _____

Explanation: _____

_____ [2]

- (b) State the double entry required to record the transfer of the plumbing fee income to the income summary for the year ended 30 June 2024.

Narration is **not** required.

Journal

Date 2024		Debit \$	Credit \$
Jun 30			

[2]

- (c)** Prepare an extract of the statement of financial position as at 30 June 2024 to show the \$1 760 of plumbing fees income that had not been received.

Extract of Statement of Financial Position as at 30 June 2024

[2]

John also provided the following ledger account.

		Rent expense account			
Date	Particulars	Debit	Credit	Balance	
2023		\$	\$	\$	
Jul 1	Rent expense payable		3000	3000	Cr
2024					
Mar 23	Cash at bank	23 000		20 000	Dr
Jun 30	Rent expense payable	5 000		25 000	Dr

REQUIRED

- (d)** Interpret the entries in the rent expense account on:

- (i) 1 July 2023 _____
- _____
- _____ [1]
- (ii) 23 March 2024 _____
- _____
- _____ [1]
- (iii) 30 June 2024 _____
- _____
- _____ [1]

(e) Analyse the effect of **not** making an adjustment for rent expense payable on 30 June 2024 on:

(i) Profit for the year

_____ [1]

(ii) Statement of financial position

_____ [1]

[Total: 11]

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- 3 Sofia runs a business selling flowers. The business has a financial year end of 31 July. The following balances were extracted from the books of the business as at 31 July 2024.

	\$
Inventory	14 200
Trade receivables	25 000
Allowance for impairment of trade receivables	1 700
Office equipment	5 000
Cash at bank	800
Prepaid rent	1 500
Trade payables	2 300
Wages payable	9 100
Bank loan	30 000
Current portion of long term borrowings	10 000

REQUIRED

- (a) Calculate the following for the year ended 31 July 2024. Show your answers to **two** decimal places.

- (i) Current ratio

_____ [2]

- (ii) Quick ratio

_____ [2]

Sofia has provided the following information about her business for the two years ended 31 July 2022 and 31 July 2023.

	31 July 2022	31 July 2023
Current ratio	2.13	1.92
Quick ratio	0.72	0.98

(b) Evaluate the change in liquidity of Sofia's business between 31 July 2022 to 31 July 2024.

[illegible]

(c) Explain **two** ways in which Sofia could further improve the liquidity of the business.

[2]

[Total: 11]

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- 4 Kathy is a sole proprietor. Her business has a financial year end of 31 December. The business provided the following information at 1 January 2023.

	\$
Office equipment	16 400
Cash at bank	9 700
Trade receivables	20 800
Trade payables	7 900
Inventory	13 400
Bank loan	17 000
Capital	?

On 4 June 2023, Kathy contributed a motor van, costing \$16 000, to the business.

On 17 August 2023, Kathy withdrew inventory, costing \$800, for her personal use.

On 30 September 2023, Kathy withdrew \$400 from the business bank account for her personal use,

The loss for the year ended 31 December 2023 was \$8 500.

REQUIRED

- (a) Explain the extent of the risk as a sole proprietor.

[1]

- (b) State **one** other form of business ownership.

[1]

- (c) Name **one** type of stakeholder who would be interested in the accounting information of a business.

[1]

- (d) Name the accounting theory which is applied when the business is assumed to operate indefinitely.

[1]

(e) Define 'equity'.

[1]

(f) Calculate Kathy's capital as at 1 January 2023.

[1]

(g) Prepare the capital account in the books of Kathy for the year ended 31 December 2023.

Capital account

[3]

[Total: 9]

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