



MINISTRY OF EDUCATION, SINGAPORE
 in collaboration with
 CAMBRIDGE ASSESSMENT INTERNATIONAL EDUCATION
 General Certificate of Education Ordinary Level

CANDIDATE
 NAME

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CENTRE
 NUMBER

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PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

For examination from 2021

SPECIMEN PAPER

1 hour

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your centre number, 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 diagrams or graphs.

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

DO NOT WRITE ON ANY BARCODES.

Answer **all** questions.

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

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



Singapore Examinations and Assessment Board



Cambridge Assessment
 International Education



Answer **all** questions.

1 PQ Pte Ltd has provided the following information at 30 June 2019.

	\$
Share capital, 400 000 ordinary shares	600 000
Retained earnings	225 000

REQUIRED

(a) Define:

(i) Retained earnings

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

(ii) Dividends

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

(b) State **three** reasons why the shareholders' equity in a private limited company may be different at the end of the financial year from that at the beginning.

1

.....

2

.....

3

..... [3]

On 30 April 2020 PQ Pte Ltd issued a further 100 000 shares at \$1.50 each. PQ Pte Ltd made a profit for the year ended 30 June 2020 of \$175 000 and declared a dividend of \$0.10 per share.

REQUIRED

(c) Prepare the equity section of the statement of financial position at 30 June 2020.

.....
.....
.....
.....
.....
.....
.....
.....
..... [4]

(d) Identify **two** stakeholders, other than the shareholders, who would be interested in the financial statements of PQ Pte Ltd.

1
2 [2]

[Total: 11]

- 2 Cheejun runs a trading business. Its financial year ends on 31 August every year. The business trial balance as at 31 August 2020 is balanced. However it has since been discovered that a credit note, \$671, sent to Amelia had been recorded in the books as \$617.

REQUIRED

- (a) Explain why a business prepares a trial balance at the end of the financial year.

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

- (b) Explain the limitation of a trial balance.

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

- (c) State the amount and effect of the credit note error on Cheejun’s business profit for the year ended 31 August 2020.

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

- (d) Name and define one ethical principle.

Name:

Definition:

..... [2]

- (e) Name the accounting theory which must be used when it is assumed that a business will continue to operate for the foreseeable future.

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

[Total :9]

PLEASE TURN OVER

- 3 Seth runs a retail business with a financial year end of 31 July. The following ledger account has been prepared at 31 July 2020.

Sale of motor vehicles

Date	Particulars	Debit	Credit	Balance
2020		\$	\$	\$
July 31	Motor vehicles	24 000		24 000 Dr
	Accumulated depreciation of motor vehicles		11 712	12 288 Dr
	Other receivables – Speedy Cars		10 800	1 488 Dr
	Income summary		1 488	–

REQUIRED

- (a) Interpret **each** of the entries in the sale of motor vehicles account.

- (i) Motor vehicles

.....

 [1]

- (ii) Accumulated depreciation of motor vehicles

.....

 [1]

- (iii) Other receivables – Speedy Cars

.....

 [1]

- (iv) Income summary

.....

 [1]

During the year Seth had extended his shop premises at a cost of \$17 500, which included \$1500 for repairs to the existing shop premises. He had included the total cost in the business's statement of financial performance.

REQUIRED

(b) State the effect and amount of including the cost of the shop extension in the statement of financial performance on the following:

(i) Profit for the year

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

(ii) Non-current assets

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

[Total: 8]

4 Xin runs a business supplying electrical goods. The following information is available for the month of September 2020. There was no opening inventory.

- Sep 2 Purchased goods on credit from Ray, \$44 700
- 10 Sold goods costing \$28 000 to Philippa on credit for \$39 800
- 22 Purchased goods by cheque, \$22 000
- 29 Sold goods for cash, \$42 000. These goods cost \$27 600

REQUIRED

(a) Prepare the following ledger accounts for the month of September 2020.

(i) inventory account

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.....

..... [2]

(ii) sales revenue account

.....

.....

.....

.....

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..... [2]

(b) Name and explain **one** accounting theory that is applied to valuation of inventory when the value of inventory falls below its cost.

Name:

Explanation:

.....

 [3]

Gemma runs a similar business. The rate of trade receivables turnover for two years are shown for both businesses.

Xin		Gemma	
2019	2020	2019	2020
9.27 times	11.41 times	6.35 times	8.81 times

REQUIRED

(c) Evaluate the rate of trade receivables turnover for **both** businesses for **both** years.

.....

 [5]

[Total: 12]

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