NAME	FORM CLASS	ACAD CLASS	INDEX NO.

ST. PATRICK'S SCHOOL
PRELIMINARY EXAMINATION 2026

SUBJECT	**:**	**Principles of Accounts** (7087/02)	**DATE**	**:**	**14 August 2026**
LEVEL	**:**	**Secondary 4 Express/5NA**	**DURATION**	**:**	**2 hours**

Candidates answer on the Question Paper.

READ THESE INSTRUCTIONS FIRST

Write your Name, Form Class, Acad Class and Index No. in the spaces at the top of the page.
Write in dark blue or black pen.
Do not use staples, paper clips, glue or correction fluid.

Answer **all** questions.
If working is needed for any question it must be shown with the answer.
The use of an approved scientific calculator is expected, where appropriate.
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 of the marks for this paper is 60.

For Examiner's Use	
Score	**/60**

This question paper consists of 16 printed pages including this cover page.

Answer all questions.

1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the business for the year ended 31 August 2026. [10]

Advance Technology Company
Statement of financial performance for the year ended 31 August 2026

(b) Prepare the statement of financial position as at 31 August 2026. [10]

Advance Technology Company
Statement of Financial Position as at 31 August 2026

[Total: 20]

2 The trade receivable account for Lancelot Trading in the books of Macbeth Trading is shown below.

Trade receivable-Lancelot Trading

Date	Particulars	Debit ($)	Credit ($)	Balance ($)
2026				
Jul 1	Balance b/d			24 000 Dr
8	Sales revenue	12 300		36 300 Dr
12	Sales returns		900	35 400 Dr
20	Cash at bank		4 900	30 500 Dr
20	Discount allowed		100	30 400 Dr
31	Cash at bank		6 080	24 320 Dr
31	Allowance for impairment of trade receivables		24 320	0

REQUIRED

a) Interpret the entries on the following dates. [3]

(i) July 8

____

____

____

(ii) July 20

____

____

____

(iii) July 31

____

____

____

b) Explain with an accounting theory why it is necessary for Macbeth Trading to account for impairment loss on trade receivables. [2]

____

____

____

____

____

The following information was obtained from the business for the year ended 31 July 2026.

	$
Sales revenue	390 000
Sales returns	5 900
Net trade receivables as at 1 August 2025	31 200
Net trade receivables as at 31 July 2026	42 600

REQUIRED

c) Calculate the following for the year ended 31 July 2026. [2]
i) rate of trade receivables turnover.
ii) trade receivable collection period.
Round off your answers to 2 decimal places.

The following data was obtained for the year ended 31 July 2025.

Rate of trade receivables turnover: 16.8 times

Trade receivables collection period: 21.72 days

d) Evaluate the efficiency of Macbeth Trading's trade receivables management over the two years. [2]

e) Explain the importance of efficient trade receivable management to the business. [1]

f) Suggest **one** way for the business to improve on its trade receivables management. [1]

[Total: 11]

3 The following information was provided by Comfy Walker Pte Ltd on 1 June 2025.

	$
Share capital, 200 000 ordinary shares	200 000
Retained earnings	25 000

On 1 March 2026, 70 000 shares were issued at $0.50 each. All the shares were fully paid via bank transfer. On 30 May 2026, a dividend of $0.20 was declared, to be paid out on 1 July 2026.
The profit for the year ended 31 May 2026 was $63 700.

REQUIRED

a) Prepare journal entries to record the following. [3]

i) Issue of share capital on 1 March 2026.

ii) Declaration of dividends on 30 May 2026.

iii) Transfer of profits on 31 May 2026.

b) Prepare the Statement of financial position of the business as at 31 May 2026, showing only the equity section. [2]

The business also provided the following information on the business for the year ended 31 May 2026.

	2026
Net sales revenue	768 000
Cost of sales	612 000
Total operating expenses	92 300
Average equity	247 350

REQUIRED

c) Calculate the following ratios for the year ended 31 May 2026.

i) Gross profit margin [1]

ii) Profit margin [1]

iii) Rate of return on equity [1]

The ratios for the year ended 31 May 2025 were as follows.

Gross profit margin: 24.99%
Profit margin: 15.50%
Rate of return on equity: 56.25%

d) Using the information on the above ratios, evaluate the profitability of the business over the two years. [4]

e) Suggest **one** way in which the business can improve its profitability. [1]

[Total: 13]

4 Panda Delivery Services purchased two vans costing $80 000 each on 1 June 2025 from Volks Vagen Pte Ltd on credit. On 1 June 2026, one of the vans was sold for $42 000 and a cheque was received. A new van costing $60 000 was purchased on the same day and paid by cheque.

Depreciation is provided at 30% per annum using the reducing balance method. A full year's depreciation is provided in the year of purchase and none in the year of year. The financial year ends on 31 December.

REQUIRED

a) Explain the term 'depreciation'. [1]

b) Show the journal entries for the sale of the van, including the transfer of the gain or loss at year's end. [4]

c) Calculate the depreciation expense on 31 December 2026. Show your working clearly. [2]

On 31 December 2026, the business paid $9 000 by cheque for the replacement of the engine for an old van, to one with a higher capacity. This was recorded in the repairs expense account.

REQUIRED

d) State how this will affect profit for the year ended 31 December 2026. [1]

e) Name the accounting theory that is applied in recording revenue expenditure. [1]

Panda Delivery Services is planning to buy a new computer system to enable it to improve efficiency in its delivery service. The owner has information on two models to choose from.

	System Hewlett	**System Apple**
Price	$120 000	$100 000
Annual maintenance cost	Free for the first year, thereafter at $2 000 per year.	$1 000 per year, commencing from installation.
Software upgrade requirements	Free upgrade for first year, thereafter yearly upgrade cost at $2 800.	No free upgrade. Yearly upgrade at $ 1500.
Manpower training required	Require the training of one technician. Cost of training: $4 000	Require the training of one technician and a support staff. Cost of training per staff: $1 500.
Warranty	4 years	2 years
Availability	Immediate installation	Delivery in 2 months
Trade in	Accept trade in of company's old computer system at a fair market price.	Do not accept trade in.
Customer feedback	Though higher priced, very reliable and incorporate state-of-the-art software.	Positive feedback from most of the customers on speed and reliability.
Finance option	Deposit 10% and balance can be paid over 6 months	Equal payment over 12 months.

REQUIRED

f) Advise the business on the computer system to buy. Support your recommendation with **three** reasons. [7]

[Total: 16]

End of paper