YUAN CHING SECONDARY SCHOOL
Secondary Four Express / Five Normal Academic Course
Preliminary Examination 2026

CANDIDATE NAME			
CLASS		INDEX NUMBER	

PRINCIPLES OF ACCOUNTS **7087/01**

Paper 1 **31 August 2026**

Candidates answer on the Question Paper. **1 hour**

No Additional Materials are required

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number in the spaces at the top of this page.
Write in dark blue or black ink.
Do not use staples, paper clips, glue or correction fluid.
The use of an approved calculator is allowed.

Answer **all** questions.

The businesses described in this question paper are 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.

	MARKS
Total	/40

Answer **all** questions.

1 Matthew started Touristy Luxe, a trading business which imports luggage from Europe and sells them to retail stores.

Touristy Luxe issues and receives various documents during its operation.

REQUIRED

(a) For each of the transactions below, identify the source document used to record the information.

Transaction	Source document
Purchased motor vehicle on credit	
Informed credit customer, Winnie, that her account was undercharged	
Received rental income via bank transfer	

[3]

(b) Explain, with the use of an accounting theory, why Touristy Luxe needs to record their transactions based on the use of the source documents.

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Touristy Luxe recently purchased a good quality hole puncher for $50. However, Matthew observed that the accountant recorded the amount paid as stationery expense instead of office equipment even though the hole puncher can be used for a few years.

REQUIRED

(c) Explain the role of accounting.

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(d) State and explain the accounting theory that the accountant has applied.

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[Total: 8]

2 Mike runs a trading business. He has extracted the following information for the year ended 31 March 2026:

	1 April 2025	31 March 2026
	$	$
Capital	75 000	?

Additional information

1 On 13 January 2026, Mike withdrew goods costing $8 400 from the business for his personal use.

2 Mike's business made a $62 000 profit for the year ended 31 March 2026.

REQUIRED

(a) State **one** reason why Mike formed a sole proprietorship.

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(b) Prepare journal entry to record the transaction on 13 January 2026. A narration is required.

Journal

	Dr $	Cr $

[3]

(c) Prepare the capital account for the year ended 31 March 2026.

Capital account

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Mike is considering switching the form of business ownership to a private limited company instead.

REQUIRED

(d) State **one** advantage of forming a private limited company.

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[Total: 8]

3 Kenny Co is a trading business. The following balances were extracted from the books of the business on 1 April 2026.

	$
Capital	25 000
Trade receivables	2 240
Trade payables	3 800
Sales revenue	41 950
Sales returns	1 860
Cost of sales	27 100
Discount received	250
Motor vehicles	25 000
Inventory	6 350
Cash at bank	7 960
Utilities expense	490

During the month of April 2026, the following transactions took place in Kenny Co:

1 Sold goods worth $6 000 on credit. The cost price of the goods sold were $3 300.

2 Sent a cheque of $1 800 to a credit supplier in full settlement of the amount owing of $2 000.

REQUIRED

(a) State the limitation of a trial balance.

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(b) Prepare the adjusted trial balance of Kenny Co as at 30 April 2026.

Kenny Co
Trial Balance as at 30 April 2026

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[Turn over

Kenny Co provided the following trade payable account for the month of May 2026:

Trade payable: William account				
		Dr	Cr	Balance
2026		$	$	$
May 1	Balance b/d			6 200 Cr
7	Inventory		2 430	8 630 Cr
10	Inventory	590		8 040 Cr
21	Cash at bank	5 700		2 340 Cr
21	Discount received	300		2 040 Cr
Jun 1	Balance b/d			2 040 Cr

REQUIRED

(c) State **one** example of non-accounting information which a business might consider when deciding which credit supplier to purchase inventory from.

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(d) Explain the transaction on 10 May 2026.

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(e) Calculate the rate of the discount received on 21 May 2026.

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[Total: 12]

4 The following shows Acai Trading's cash at bank account and bank statement for the month of June 2026. The ending balances did not tally.

Cash at bank account					
2026		Cheque No.	Debit $	Credit $	Balance $
Jun 1	Balance b/d				4 020 Dr
3	Trade payable: Mango	122		2 300	1 720 Dr
5	Sales revenue		1 600		3 320 Dr
9	Advertising	123		1 850	1 470 Dr
12	Trade receivable: SPK		3 900		5 370 Dr
17	Sales revenue		5 820		11 190 Dr
24	Inventory	124		3 000	8 190 Dr
27	Utilities	125		2 540	5 650 Dr
30	Sales revenue		4 700		10 350 Dr
Jul 1	Balance b/d				10 350 Dr

Bank statement				
2026		Payments $	Receipts $	Balance $
Jun 1	Balance b/f			4 770 Cr
2	Cheque no. 120	750		4 020 Cr
3	Cheque no. 122	2 300		1 720 Cr
5	Cash deposit		1 600	3 320 Cr
14	Cheque deposit		3 900	7 220 Cr
20	Cheque deposit		5 820	13 040 Cr
25	Cheque no. 124	3 000		10 040 Cr
28	Cheque no. 125	2 540		7 500 Cr
30	Bank charges	490		7 010 Cr

REQUIRED

(a) Explain why Acai Trading needs to perform bank reconciliation.

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(b) Prepare the bank reconciliation statement as at 30 June 2026.

Acai Trading
Bank reconciliation statement as at 30 June 2026

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(c) State the effect on Acai Trading's profit for the year after performing the bank reconciliation.

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Acai Trading has provided the following information about the business for the two years ended 30 June 2025 and 30 June 2026.

	30 June 2025	30 June 2026
	$	$
Cash at bank	6 200	–
Trade receivables	6 600	8 350
Inventory	4 250	6 050
Trade payables	4 880	7 620
Current portion of long-term borrowings	–	4 000
Bank overdraft	–	1 100
Current ratio	3.49	1.13
Quick ratio	2.62	0.66

REQUIRED

(d) Evaluate the liquidity of Acai Trading over the two years ended 30 June 2025 and 2026.

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