BUKIT PANJANG GOVERNMENT HIGH SCHOOL
PRELIMINARY EXAMINATION 2025
SECONDARY 5
GCE 'O' LEVEL SYLLABUS

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

20 August, 2025
1 hour
0750 h – 0850 h

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

READ THESE INSTRUCTIONS FIRST

Do not turn over the cover page until you are told to do so.
Write in dark blue or black pen on both sides of the paper.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper chips, glue or correction fluid.

FOR EXAMINER'S USE	
Question 1	/ 11
Question 2	/ 14
Question 3	/ 8
Question 4	/ 7
Total:	/ 40

This paper consists of 8 printed pages

[Turn over

1 Gabriel runs a business operating ride-hailing services with its financial year end of 31 March.

REQUIRED

(a) Define 'depreciation'.

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....[1]

(b) With the use of an accounting theory, explain why Gabriel's business charges depreciation expense.

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....[2]

(c) State **two** causes of depreciation.

1..

2..[2]

Gabriel purchased a new furniture for his office. He is unsure which depreciation method he should use to depreciate its furniture.

REQUIRED

(d) Advise Gabriel if he should adopt straight-line method or reducing-balance method to depreciate its furniture and explain why.

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....[2]

Gabriel provided the following extract of the business accumulated depreciation of motor vehicle account.

Accumulated depreciation of motor vehicle

Date	Particulars	Dr ($)	Cr ($)	Bal ($)
2024				
April 1	Bal b/d			45 000 Cr
2025				
Jan 20	Sale of non-current asset	10 000		35 000 Cr
Mar 31	Depreciation of motor vehicle		12 000	47 000 Cr
Apr 1	Bal b/d			47 000 Cr

REQUIRED

(e) Interpret the entries in the accumulated depreciation of motor vehicle account on:

(i) 20 January 2025

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....[1]

(ii) 31 March 2025

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....[1]

(f) Identify **two** factors which may be used by Gabriel's business to decide which non-current asset to buy.

1..

2..[2]

[Total: 11]

2 Karis is a trader.

REQUIRED

(a) State the purpose of source documents.

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....[1]

(b) Complete the following table to name the source document which a business would use to record **each** of the following transactions.

Transaction	Source document
Received a cheque from credit customer	
Notified by a credit supplier of an undercharge	

[2]

Karis provided the following information about transactions which took place in her business during June 2025.

1 Karis deposited $5 000 of personal cash into the business bank account.

2 Karis distributed $500 of goods as samples to customers.

REQUIRED

(c) Prepare the journal entries for the above transactions. Narrations are **not** required.

Transactions		Debit $	Credit $
1			
2			

[4]

(d) State **one** reason why the capital in a sole proprietorship may increase at the end of the accounting year as compared to the beginning of that year.

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....[1]

(e) State **one** difference between a sole proprietorship and a private limited company.

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....[2]

Karis is planning to invest in **either** ABC Pte Ltd or DEF Pte Ltd. She is reviewing the following information for the year ended 30 June 2025.

	ABC Pte Ltd	DEF Pte Ltd
	$	$
Profit for the year	12 900	16 330
Average equity	300 200	430 000

REQUIRED

(f) Calculate the return on equity for ABC Pte Ltd and DEF Pte Ltd for the year ended 30 June 2025. Show your answers to **two** decimal places.

	ABC Pte Ltd	DEF Pte Ltd
Return on equity		

[2]

(g) Recommend which business Karis should invest in. Use the given information to support your recommendation.

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....[2]

[Total: 14]

3 Bruce runs a gaming shop. The business has a financial year end of 30 November.

REQUIRED

(a) State **one** liquidity ratio Bruce could use to determine its liquidity.

....[1]

(b) Explain the importance of profitability to a business.

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....[1]

Bruce provided the following information about his business for the two years ended 30 November 2023 and 30 November 2024.

	30 November 2023	30 November 2024
Gross profit margin	45.6%	56.3%
Profit margin	18.5%	12.8%

REQUIRED

(c) Evaluate the change in profitability of Bruce's business between 30 November 2023 and 30 November 2024.

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....[5]

(d) Suggest **one** way in which Bruce could improve its profitability.

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....[1]

[Total: 8]

4 Frankie runs a business selling shoes. Frankie purchases goods on credit from Vernon.

On 1 January 2025, Frankie owed Vernon $3 000. The following transactions took place during the month of January 2025.

5 January	Frankie paid the amount owing to Vernon by cheque, after deducting 2% discount.
19 January	Frankie bought goods from Vernon at a list price of $2 400. A discount of 5% was given.

REQUIRED

(a) Prepare the account of Vernon in the books of Frankie's business for the month of January 2025.

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....[4]

(b) Identify the discount given on 19 January 2025.

....[1]

(c) State the difference between cash purchase and credit purchase.

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....[2]

[Total: 7]

THE END