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

CANDIDATE NAME			
CLASS		INDEX NUMBER	

PRINCIPLES OF ACCOUNTS **7087/02**

Paper 2 **28 August 2026**

Candidates answer on the Question Paper. **2 hours**

Additional Materials : Insert

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 60.

	MARKS
Total	/60

Answer **all** questions.

1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the year ended 31 July 2026.

Healthy Wellness
Statement of financial performance for the year ended 31 July 2026

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(b) Prepare the statement of financial position as at 31 July 2026.

Healthy Wellness
Statement of financial position as at 31 July 2026

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[Total: 20]

2 Marcus is a shareholder of Hunter Limited, a business that trades in electronics. Hunter Limited provided the following information for the financial years ended 30 April 2024, 2025 and 2026:

	2024	2025	2026
	$	$	$
Sales revenue	155 800	194 000	256 700
Cost of sales	132 430	164 900	196 600
Gross profit	23 370	35 890	60 100
Return on equity	23.3%	24.7%	26.9%
Gross profit margin	15.0%	18.5%	23.4%
Profit margin	9.0%	7.9%	6.7%
Day sales in inventory	29.7 days	25.0 days	18.4 days

REQUIRED

(a) Calculate the mark-up on cost for the year ended 30 April 2026. Show your answers to **two** decimal places.

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(b) Advise Marcus if he should continue to invest in Hunter Limited.

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(c) Comment on the profitability of Hunter Limited over the three financial years ending 30 April 2024, 2025 and 2026. Use the information provided to support your answer.

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(d) Suggest **one** way in which Hunter Limited can improve their profit margin.

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(e) State **one** possible consequence if a business' profitability worsens.

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(f) Explain the importance of inventory management in relation to the profitability of a business.

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(g) Comment on Hunter Limited's efficiency in inventory management for the **three** years ending 30 April 2024, 2025 and 2026.

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[Total: 14]

3 Golden Trading is a business selling fashion accessories. Golden Trading's financial year ends on 31 May.

On 1 January 2025, Golden Trading purchased some fixtures and fittings for $32 000. Golden Trading decides to depreciate the fixtures and fittings at 10% per annum using the straight-line method. The fixtures and fittings have a scrap value of $2 000.

REQUIRED

(a) State **one** cause of depreciation.

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(b) Explain why Golden Trading depreciated the fixtures and fittings using the straight-line method.

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(c) Explain, with the use of an accounting theory, why Golden Trading is unable to change the depreciation rate for the fixtures and fittings in subsequent years.

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(d) Calculate the depreciation of fixtures and fittings expense for the two years ended 31 May 2025 and 2026.

	31 May 2025	31 May 2026
Workings:		
Depreciation of fixtures and fittings expense ($):		

[2]

(e) State the double entry to record the depreciation expense on 31 May 2026.

Account debited	Account credited

[2]

The following information is extracted from the books of Golden Trading on 1 June 2026:

	$
Trade receivables	64 810
Allowance for impairment of trade receivables	9 750

Silvery Co is a credit customer of Golden Trading.

On 6 June 2026, Silvery Co had declared bankruptcy and Golden Trading had to write-off the outstanding amount of $5 800 owed by Silvery Co.

REQUIRED

(f) Other than owner and credit customer, state **one** stakeholder of Golden Trading.

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(g) Explain current assets.

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(h) Prepare journal entry to record the write-off on 6 June 2026. A narration is **not** required.

Journal

	Dr $	Cr $

[2]

(i) State the effect on current asset if Golden Trading did **not** adjust for the write-off on 6 June 2026.

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[Total: 13]

4 Radiance Beauty is a business selling skincare products.

For the year ended 31 July 2026, Radiance Beauty paid $50 000 via a bank transfer, for their shop rental expenses.

At 31 July 2026, rental expenses of $8 000 was still owing.

REQUIRED

(h) Explain matching theory.

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(i) Prepare journal entry to adjust for the rental expenses owed at 31 July 2026. A narration is required.

Journal

	Dr $	Cr $

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(j) State the effect on profit for the year if the rental expenses owed on 31 July 2026 was **not** adjusted.

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Radiance Beauty is considering introducing new skincare products for sale in her store. Due to limited space, she can only stock up one new product.

The business has done research and discovered the following customer preferences:

- The market has shifted towards sustainability and eco-friendly products. Customers prefer cruelty-free and environmental-friendly products.
- Social media influencers and beauty experts shape customer tastes and endorsements play a crucial role in product adoption.

Radiance Beauty has shortlisted the following two products:

	Organic Glow Serum	Skin Brightening Lotion
Cost price per unit	$80	$60
Gross profit margin	30%	25%
Nature of product	• Stored in glass jar which can be reused • Contains natural ingredients, obtained from sustainable sources	• Stored in plastic tube • Contains Vitamin C and other approved ingredients • Endorsed by a popular Korean artiste
Customer reviews	Well-received by customers who prefers organic skincare products. Item was sold out islandwide previously.	Some customers have feedback that there is minimal skin brightening effect.
Storage of product	Serum needs to be stored in the refrigerator	Lotion can be stored at room temperature

REQUIRED

(k) Recommend whether Radiance Beauty should buy Organic Glow Serum or Skin Brightening Lotion. Justify your decision with **three** reasons.

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