YUAN CHING SECONDARY SCHOOL
Secondary Four Express / Five Normal Academic Course
Preliminary Examination 2025

CANDIDATE NAME			
CLASS		INDEX NUMBER	

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

1 September 2025

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 Daisy is a sole trader. She has just set up her business Dazzy Trading.

REQUIRED

(a) State **one** advantage of setting up a sole trader.

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.... [1]

(b) Explain the going concern theory.

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.... [1]

(c) State **one** possible reason for an increase in equity in Dazzy Trading.

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.... [1]

Daisy would like to hire an accountant to maintain full accounting records for Dazzy Trading.

REQUIRED

(d) Explain **one** professional ethic that an accountant must possess.

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.... [1]

Dazzy Trading uses source documents to record business transactions.

REQUIRED

(e) Complete the table below to state the source document used to record the transaction and explain the purpose of the source document. The first one has been completed as an example.

Transaction	Source Document	Purpose
Cheque issued to credit supplier	*Payment voucher*	*Processes payment to credit suppliers*
Credit purchase		
Cash sales		

[4]

Dazzy Trading has won the Most Innovative Business Award recently. Daisy would like to record the award in the business accounting records.

REQUIRED

(f) With the use of an accounting theory, explain whether Dazzy Trading can record the award in the business accounting records.

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.... [2]

[Total: 10]

2 The following errors were discovered in the accounts of Crumbie Trading for the year ended 31 May 2025 as follows:

1. Goods costing $700 drawn out for advertising purposes were not recorded.
2. A cheque of $1 100 was received for commission income. The transaction was recorded on the wrong side of both accounts.
3. Crumbie Trading took a loan of $6 000 to pay for rental expenses but it was wrongly recorded as $6 600.

REQUIRED

(a) Prepare journal entries to correct the above errors **1** to **3**. Narrations are **not** required.

Journal

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.... [6]

Crumbie Trading has a profit for the year of $85 000, before the errors were discovered.

REQUIRED

(b) Prepare a statement of adjusted profits for the year ended 31 May 2025

Crumbie Trading
Statement of adjusted profits for the year ended 31 May 2025

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.... [4]

[Total: 10]

3 Benson is the owner of Beta Trading. The following cash at bank account is extracted from Beta Trading for the month of September 2022:

Cash at bank account				
		Dr	Cr	Balance
2022		$	$	$
Sep 1	Balance b/d			5 700 Dr
12	Capital	3 000		8 700 Dr
26	Motor vehicle		10 000	1 300 Cr
Oct 1	Balance b/d			1 300 Cr

REQUIRED

(a) Explain the significance of the credit balance in the cash at bank account.

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.... [1]

(b) Interpret the entries in the cash at bank account on:

(i) 12 September 2022

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.... [1]

(ii) 26 September 2022

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.... [1]

(c) State **one** of the internal controls of cash.

.... [1]

On 1 October 2022, Beta Trading obtained a bank loan of $100 000 from Union Bank. The loan is repayable over five years and the interest rate on the outstanding amount is 4% per annum. Principal repayment and interest are due for payment on every 30 September starting from 30 September 2023. The financial year of Beta Trading ends on 31 December every year.

REQUIRED

(d) Calculate the interest expense incurred for each of the **two** years ended 31 December 2023 and 2024.

Interest expense incurred for the year ended	
31 December 2023	
31 December 2024	

[3]

(e) Prepare an extract of the statement of financial position as at 31 December 2024, showing the liabilities sections only.

Beta Trading
Statement of financial position as at 31 December 2024

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.... [3]

[Total: 10]

[Turn over

4 Channel Trading is a business selling cosmetics. The business has a financial year end on 30 June every year.

On 14 May 2024, Freshie, a credit customer, who owed the business $1 600, was declared bankrupt. Freshie paid off $0.30 for every dollar owed to the business via a bank transfer. The remaining amount was written off by Channel Trading.

REQUIRED

(a) Prepare journal entries to record the transaction on 14 May 2024. Narrations are **not** required.

Journal

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.... [3]

(b) Explain, with the use of an accounting theory, why Channel Trading needs to provide for allowance for impairment of trade receivables.

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.... [2]

Channel Trading has provided the following information about the business for the two years ended 30 June 2024 and 30 June 2025.

	30 June 2024	30 June 2025
Rate of trade receivables turnover	5.2 times	4.3 times

REQUIRED

(c) Evaluate the efficiency of trade receivables management over the two years ended 30 June 2024 and 2025. Suggest **two** possible reasons for this trend.

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.... [4]

(d) State **one** possible consequence when the rate of trade receivables turnover worsens.

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[Total: 10]

--- END OF PAPER ---