
PRINCIPLES OF ACCOUNTS

7110/11

Paper 1 Multiple Choice

October/November 2016

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)



READ THESE INSTRUCTIONS FIRST

Write in soft pencil.

Do not use staples, paper clips, glue or correction fluid.

Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.

DO NOT WRITE IN ANY BARCODES.

There are **thirty** questions on this paper. Answer **all** questions. For each question there are four possible answers **A, B, C** and **D**.

Choose the **one** you consider correct and record your choice in **soft pencil** on the separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.

Any rough working should be done in this booklet.

Calculators may be used.

This document consists of **10** printed pages and **2** blank pages.

- 1 Which task would be carried out by a book-keeper?
- A comparison of financial statements of one year with another
 - B preparation of financial statements
 - C provision of information for decision-making
 - D recording financial transactions

- 2 Melanie provided the following information.

	\$
non-current assets	14 000
amount owing by credit customers	1 250
amount owing to credit suppliers	850
inventory	1 875
bank overdraft	365

What was Melanie's capital?

- A \$12 160
 - B \$15 110
 - C \$15 910
 - D \$16 640
- 3 Winston sold goods on credit to Leroy.

Which entries should Winston make in his ledgers?

	sales ledger	general ledger
A	credit Leroy account	debit sales account
B	credit sales account	debit Leroy account
C	debit Leroy account	credit sales account
D	debit sales account	credit Leroy account

- 4 A business keeps a purchases journal, a purchases returns journal, a sales journal and a sales returns journal.

Which entries are made to transfer the monthly totals of these journals to the ledger?

	accounts to be debited	accounts to be credited
A	purchases purchase returns	sales sales returns
B	purchases sales returns	sales purchases returns
C	sales purchases returns	purchases sales returns
D	sales sales returns	purchases purchases returns

- 5 Ali paid Ayub, a credit supplier, by cheque. The bank later dishonoured the cheque.

How would Ali record this dishonoured cheque?

	account to be debited	account to be credited
A	Ali	bank
B	Ayub	bank
C	bank	Ali
D	bank	Ayub

- 6 Annette paid Brian, a supplier, twice in error. Brian sent a refund of the overpaid amount to Annette.

How would Brian record this refund?

	account to be debited	account to be credited
A	Annette	bank
B	bank	Annette
C	bank	sales returns
D	sales returns	bank

7 Which account may appear on the debit side of a trial balance?

- A bank
- B provision for depreciation
- C provision for doubtful debts
- D returns outwards

8 Which error is a compensating error?

- A cheque received from J. Wilks credited to the account of J. Wilson
- B drawings debited to the cash account and credited to the drawings account
- C purchase of a motor vehicle debited to the motor expenses account
- D sales account and purchases account both undercast by the same amount

9 Omar provided the following information.

expense	amount paid in 2015 \$	amount transferred to income statement for 2015 \$	account balance on 31 December 2015 \$
insurance	1500	1200	300
rent	3400	3600	200

What do the balances on the accounts on 31 December 2015 represent?

	insurance account balance	rent account balance
A	accrual	accrual
B	accrual	prepayment
C	prepayment	accrual
D	prepayment	prepayment

- 10 Raminder maintains a provision for doubtful debts of $2\frac{1}{2}\%$ of the trade receivables.

On 1 January the balance on the provision account was \$1075. The trade receivables at 31 December amounted to \$41 000.

Which entries will Raminder make on 31 December to adjust the provision for doubtful debts?

	debit	\$	credit	\$
A	income statement	50	provision for doubtful debts	50
B	income statement	1025	provision for doubtful debts	1025
C	provision for doubtful debts	50	income statement	50
D	provision for doubtful debts	1025	income statement	1025

- 11 Yeung provided the following information.

	\$
loss on sale of machinery	1 500
purchase of fixtures	10 000
cash proceeds from sale of machinery	7 200
profit on disposal of equipment	250

By how much will the profit for the year decrease?

- A** \$1250 **B** \$2550 **C** \$4050 **D** \$11 250
- 12 At the end of her financial year, Lucy decided to depreciate her fixtures by \$1000.

Which journal entry will record this?

		debit \$	credit \$
A	fixtures provision for depreciation of fixtures	1000	1000
B	income statement provision for depreciation of fixtures	1000	1000
C	provision for depreciation of fixtures fixtures	1000	1000
D	provision for depreciation of fixtures income statement	1000	1000

13 A trader sold his delivery vehicle.

Which statement about the entries in the disposal account is **not** correct?

- A Accumulated depreciation appears on the credit side.
- B Loss on disposal appears on the debit side.
- C Proceeds of sale appears on the credit side.
- D The original cost appears on the debit side.

14 Sam's purchases ledger control account had an opening debit balance.

What does this balance represent?

- A amount owed to suppliers
- B cash purchases
- C interest on overdue account
- D overpayment to suppliers

15 Wayne deals in two products, P and Q.

At the end of his financial year on 31 December, Wayne's inventories were as follows.

	cost \$	net realisable value \$
product P	2000	1500
product Q	3500	3800

At which value should the total inventory be shown in the financial statements?

- A** \$5000 **B** \$5300 **C** \$5500 **D** \$5800

16 A trader sold fixtures (book value \$3200) for \$2800 cash.

How did this affect the statement of financial position?

	non-current assets \$	working capital \$	capital \$
A	-2800	+3200	-400
B	-2800	+3200	+400
C	-3200	+2800	-400
D	-3200	+2800	+400

17 Which item does **not** appear in the financial statements of a service business?

- A gross profit
- B non-current assets
- C non-current liabilities
- D profit for the year

18 A trader takes cash drawings from the business.

How will this affect the profit for the year and the current assets?

	profit for the year	current assets
A	decrease	no effect
B	increase	no effect
C	no effect	decrease
D	no effect	increase

19 Tracey and Batka decide to form a partnership.

Which is **not** an advantage to them?

- A Access to capital is increased.
- B Business debts are shared.
- C Business profits are shared.
- D Skills and expertise are increased.

20 On 1 January 2015 a club had received prepaid subscriptions of \$560. During the year ended 31 December 2015 the club received subscriptions of \$8480. On 31 December 2015 subscriptions owing to the club amounted to \$400.

Which amount should be shown for subscriptions in the income and expenditure account for 2015?

- A \$8080
- B \$8480
- C \$8880
- D \$9440

- 21 Allsports Club runs a café for its members. The following information was available at the end of its first year of trading.

	\$
café takings	28 600
purchases of supplies	11 600
closing café inventory	1 940
wages of café staff	5 500

What was the profit of the café?

- A** \$9560 **B** \$11 500 **C** \$13 440 **D** \$17 000
- 22 A trader provided the following information for the year ended 30 April 2016.

	\$
capital 1 May 2015	12 600
capital 30 April 2016	7 900
drawings during the year	1 800

What was the profit or loss for the year?

- A** \$2900 loss **B** \$2900 profit **C** \$6500 loss **D** \$6500 profit
- 23 Which is **not** a feature of preference shares?
- A** Dividend has to be paid before any dividend is given to the ordinary shareholders.
B Dividend is fixed and does not vary with the profit made.
C Shareholders have a prior claim on assets if the business is wound up.
D Shareholders have the right to vote at the annual general meeting of the company.

- 24 A company provided the following information.

	\$
share capital ordinary shares	160 000
loan capital 6% debentures	45 000
general reserve	14 000
retained earnings	8 000

What was the total of the equity and reserves section in the statement of financial position?

- A** \$174 000 **B** \$182 000 **C** \$219 000 **D** \$227 000

25 An employer provides each employee with a time sheet.

Which statement is correct?

- A It is completed by the employee to calculate the hourly rate of pay.
- B It is completed by the employee to show the hours spent on each job.
- C It is completed by the employer to calculate the hourly rate of pay.
- D It is completed by the employer to show the hours spent on each job.

26 A trader provided the following information for his financial year.

	\$
cost of sales	280 000
opening inventory	19 000
closing inventory	21 000
average inventory	20 000

How would the rate of turnover of inventory be calculated?

- A $\frac{\$280\,000}{\$20\,000}$
- B $\frac{\$280\,000}{\$21\,000}$
- C $\frac{\$280\,000}{\$21\,000 - \$19\,000}$
- D $\frac{\$280\,000}{\$21\,000 + \$19\,000}$

27 Which action will improve the percentage of gross profit to revenue (sales)?

- A increasing expenses
- B increasing selling price
- C reducing expenses
- D reducing selling price

28 What is the **best** indicator of the efficiency of a business?

- A percentage of gross profit to revenue (sales)
- B percentage of profit for the year to revenue (sales)
- C rate of turnover of inventory
- D return on capital employed

29 Hanna paid \$3000 for rent for 15 months on 1 January 2015.

The amount transferred to the income statement for the year ended 31 December 2015 was \$2400.

Which accounting principle did Hanna follow when preparing her income statement?

- A dual aspect
- B going concern
- C historical cost
- D matching/accruals

30 What is **not** an aim of the international accounting standards?

- A to ensure accounting standards in different countries agree
- B to establish an organisation to set standards in every country
- C to make it easier to compare companies' financial statements
- D to reduce the variety of accounting practices worldwide

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