



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

**PRINCIPLES OF ACCOUNTS**

**7110/12**

Paper 1 Multiple Choice

**October/November 2012**

**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, highlighters, 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.

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 **9** printed pages and **3** blank pages.



- 1 For which purpose does a sole trader **not** use the information provided in his financial statements?
- A** to assist with decision-making
- B** to compare performance with previous years
- C** to determine the amount of his bank overdraft
- D** to plan for the future
- 2 Sara had the following assets and liabilities on 1 August 2012.

	\$
non-current assets	44 000
non-current liabilities	10 000
inventory	1 500
trade payables	3 300
trade receivables	2 600

What was Sara's capital?

- A** \$34 800      **B** \$36 200      **C** \$44 800      **D** \$46 200
- 3 On 1 January Tan, a sole trader, lent Chan \$4000. On 1 November Chan repaid part of the loan leaving an amount outstanding of \$1000.

Which entry was made in the accounts of Tan on 1 November?

	account to be debited	\$	account to be credited	\$
<b>A</b>	bank	1000	Chan loan	1000
<b>B</b>	bank	3000	Chan loan	3000
<b>C</b>	Chan loan	1000	bank	1000
<b>D</b>	Chan loan	3000	bank	3000

- 4 What is the purpose of an invoice?
- A** to confirm that a payment has been received
- B** to confirm that damaged goods have been returned
- C** to show details of all transactions with a customer during the month
- D** to show details of goods that have been supplied on credit

- 5 Daniel allows Joanne trade discount of 25 % and cash discount of 5 % if invoices are paid within 30 days.

Joanne purchased goods with a list price of \$1200 from Daniel.

Which amount would be entered in Joanne's purchases journal?

- A** \$840                      **B** \$855                      **C** \$900                      **D** \$1200

- 6 On 30 March the bank columns of a cash book showed an overdraft of \$1860. On 31 March the following transactions took place.

	\$
paid cash into the bank	490
bought stationery and paid by cheque	20

What was the bank balance brought down on 1 April?

- A** \$1390 credit  
**B** \$1390 debit  
**C** \$2330 credit  
**D** \$2330 debit
- 7 A bank reconciliation statement starts with the balance in the cash book. It includes uncredited deposits and unrepresented cheques. It also includes a bank error because bank charges have been deducted twice on the bank statement.

How are these items shown in the bank reconciliation statement?

	added	subtracted
<b>A</b>	uncredited deposits	unrepresented cheques bank error
<b>B</b>	uncredited deposits bank error	unrepresented cheques
<b>C</b>	unrepresented cheques	uncredited deposits bank error
<b>D</b>	unrepresented cheques bank error	uncredited deposits

- 8 On 2 October Nina received a cheque from Zaffar, a credit customer. On 12 October the cheque was returned unpaid by the bank.

Which entry would Nina make on 12 October?

	account to be debited	account to be credited
<b>A</b>	bad debts	bank
<b>B</b>	bad debts	Zaffar
<b>C</b>	provision for doubtful debts	Zaffar
<b>D</b>	Zaffar	bank

- 9 The following account appeared in Amna's ledger.

Syed account				
date	details	debit \$	credit \$	balance \$
2012				
Sept 1	Balance b/d			400 dr
14	Sales	600		1000 dr
26	Bank		390	610 dr
26	Discount		10	600 dr

Which statement is true?

- A** Amna owed Syed \$400 on 1 September.
- B** Amna paid Syed \$390 by cheque on 26 September.
- C** Syed allowed \$10 cash discount to Amna on 26 September.
- D** Syed purchased goods, \$600, on credit from Amna on 14 September.
- 10 Which error would **not** be revealed by a trial balance?
- A** an error made when calculating the balance on an account
- B** a mistake made when totalling the debit column of the trial balance
- C** a single entry rather than a double entry made for a transaction
- D** a transaction completely omitted from the accounting records

- 11 Alice sublets part of her premises to Mandy. At the end of the financial year Mandy owed \$100 rent to Alice.

How would this appear in Alice's ledger and balance sheet?

	rent received account in the ledger	balance sheet
<b>A</b>	credit balance brought down	current asset
<b>B</b>	credit balance brought down	current liability
<b>C</b>	debit balance brought down	current asset
<b>D</b>	debit balance brought down	current liability

- 12 Which entry is made to record a decrease in a provision for doubtful debts?

	debit	credit
<b>A</b>	income statement	provision for doubtful debts account
<b>B</b>	provision for doubtful debts account	income statement
<b>C</b>	provision for doubtful debts account	trade receivables
<b>D</b>	trade receivables	provision for doubtful debts account

- 13 A wholesaler had the following transactions.

sold goods, \$30 000, on credit

received cheque, \$12 000, from sale of old fixtures at book value

How would these transactions be classified?

	revenue receipt \$	capital receipt \$
<b>A</b>	–	42 000
<b>B</b>	12 000	30 000
<b>C</b>	30 000	12 000
<b>D</b>	42 000	–

14 The purchase of a motor vehicle was wrongly recorded as motor expenses.

What is the effect of this error?

- A gross profit is understated
- B profit for the year is overstated
- C total assets are overstated
- D total assets are understated

15 What is the reason for charging depreciation on a non-current asset?

- A to accumulate a fund of money to replace an asset
- B to charge the cost of using an asset against income
- C to ensure profits are not understated
- D to show the market value of an asset

16 Which entry is required to record the annual depreciation charge on machinery?

	debit	credit
<b>A</b>	income statement	machinery at cost account
<b>B</b>	income statement	provision for depreciation of machinery account
<b>C</b>	machinery at cost account	income statement
<b>D</b>	provision for depreciation of machinery account	income statement

17 Why is a sales ledger control account usually prepared by a more senior member of staff than the person who maintains the sales ledger?

- A to deter fraud
- B to locate errors
- C to provide an instant total of trade receivables
- D to speed production of financial statements

18 Henri has charged Thibault interest on his overdue accounts.

Where does this interest appear in Thibault's control accounts?

- A on the credit side of the purchases ledger control account
- B on the credit side of the sales ledger control account
- C on the debit side of the purchases ledger control account
- D on the debit side of the sales ledger control account

19 A trader provided the following information.

	\$
cost of sales	70 000
expenses	8 000
profit for the year	14 000

What was the revenue?

- A \$48 000      B \$62 000      C \$84 000      D \$92 000

20 How is capital employed calculated?

- A current assets – current liabilities
- B non-current assets + current assets
- C owner's capital + non-current liabilities
- D owner's capital + total liabilities

21 Nirmal, a business consultant, provided the following information.

	\$
profit for the year	23 400
rent received from tenant	1 520
general expenses	39 760
loan interest paid	1 230

What was the total of the fees received from clients?

- A \$60 410      B \$61 930      C \$62 870      D \$63 160

22 A rent account showed a debit balance of \$2000 on 1 January 2011.

Rent paid during the year ended 31 December 2011 was \$12 000.

Rent prepaid at 31 December 2011 amounted to \$3000.

What was the charge for rent in the income statement for the year ended 31 December 2011?

- A** \$11 000      **B** \$12 000      **C** \$14 000      **D** \$15 000

23 Which group contains only advantages of being in partnership?

**A** additional finance is available, profits are shared, action by one partner binds the others

**B** additional finance is available, responsibilities are shared, losses are shared

**C** losses are shared, action by one partner binds the others, risks are shared

**D** responsibilities are shared, profits are shared, risks are shared

24 A partner is entitled to interest on his capital.

How is this recorded in the personal account of the partner?

**A** credit partner's capital account

**B** credit partner's current account

**C** debit partner's capital account

**D** debit partner's current account

25 The financial year of a sports club ends on 31 December. Members' subscriptions received during 2011 were as follows.

	\$
for the year ended 31 December 2010	50
for the year ended 31 December 2011	2500
for the year ending 31 December 2012	25

How much will be shown for subscriptions in the receipts and payments account for the year ended 31 December 2011?

- A** \$2475      **B** \$2525      **C** \$2550      **D** \$2575

26 Donald's rate of inventory turnover was 10 times. The inventory on 1 January was \$800 and the inventory on 31 December was \$1000.

What were his purchases?

- A** \$8800      **B** \$9000      **C** \$9200      **D** \$10 800



27 The issued share capital of DX Ltd consists of ordinary shares.

The retained earnings were \$45 000 on 1 January 2011. These had increased to \$75 000 on 31 December 2011. The company earned a profit for the year of \$80 000.

What was the total ordinary share dividend for the year?

- A \$30 000      B \$35 000      C \$45 000      D \$50 000

28 Which are statutory deductions from an employee's gross pay?

- A income tax and social security contributions
- B income tax and subscription to trade union
- C social security contributions and donation to charity
- D subscription to trade union and donation to charity

29 What is **not** included in the calculation of the quick (acid test) ratio?

- A bank overdraft
- B inventory
- C trade payables
- D trade receivables

30 The cost of the owner's personal use of business motor vehicles is excluded from the motor vehicle expenses.

Which accounting principle is being applied?

- A accounting entity
- B historical cost
- C materiality
- D money measurement





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