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**PRINCIPLES OF ACCOUNTS**

**7110/12**

Paper 1 Multiple Choice

**May/June 2016**

**1 hour**

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



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**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.

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

1 Which task would **not** be carried out by a book-keeper?

- A posting cash receipts
- B preparing financial statements
- C recording entries in the purchases ledger
- D writing up the sales returns journal

2 Goods purchased by Anna from Winston were returned before they were paid for.

Where will Anna record the return of goods?

- A cash book and purchases ledger
- B general ledger only
- C general ledger and purchases ledger
- D purchases ledger only

3 Which document does a trader send to a credit customer to summarise the transactions for the month?

- A credit note
- B debit note
- C receipt
- D statement of account

4 Aldo buys and sells goods on credit.

A cheque received by Aldo was dishonoured by the bank.

How would he record this dishonoured cheque?

	account to be debited	account to be credited
<b>A</b>	bank	credit customer
<b>B</b>	bank	credit supplier
<b>C</b>	credit customer	bank
<b>D</b>	credit supplier	bank

- 5 Waseem received a bank statement. He found that the bank had charged interest twice in error and that a dividend had been received on an investment.

Waseem then updated the cash book and prepared a bank reconciliation statement.

Where did he record these two items?

	bank error	dividend
<b>A</b>	bank reconciliation statement	bank reconciliation statement
<b>B</b>	bank reconciliation statement	updated cash book
<b>C</b>	updated cash book	bank reconciliation statement
<b>D</b>	updated cash book	updated cash book

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

Syed account				
date	details	debit \$	credit \$	balance \$
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** On 1 September Amna owed Syed \$400.
- B** On 14 September Syed purchased goods, \$600, on credit from Amna.
- C** On 26 September Amna paid Syed \$390 by cheque.
- D** On 26 September Syed allowed \$10 cash discount to Amna.
- 7 What is a trial balance?
- A** a statement of assets and liabilities on a particular date
- B** a statement of income and expenditure for a particular period
- C** a statement of ledger balances on a particular date
- D** a statement of profit or loss for a particular period

8 A trial balance did not balance.

Which error caused this?

- A A cheque, \$300, received from M. Green was credited in the cash book and debited in M. Green's account.
- B Purchase of goods from J. Black, \$750, was debited in the purchases account and credited in J. Blackshaw's account.
- C Repairs, \$500, were debited in the premises account.
- D The sales journal was overcast by \$1000.

9 Alice's financial year ends on 31 December.

The balances in her books on 1 January included the following.

	\$
commission received	250 dr
rent receivable	500 cr

What do these balances represent?

	commission received	rent receivable
<b>A</b>	income outstanding	income outstanding
<b>B</b>	income outstanding	income prepaid
<b>C</b>	income prepaid	income outstanding
<b>D</b>	income prepaid	income prepaid

10 Motor repairs, \$250, have been posted in error to the motor vehicles account.

What is the effect on the financial statements?

	profit for the year	non-current assets
<b>A</b>	overstated	overstated
<b>B</b>	overstated	understated
<b>C</b>	understated	overstated
<b>D</b>	understated	understated

- 11 A business allowed Lee, a customer, \$40 cash discount. The discount was entered in the discount allowed account but omitted from Lee's account.

A suspense account was opened.

What are the correcting entries?

	account to be debited	account to be credited
<b>A</b>	discount allowed	Lee
<b>B</b>	Lee	discount allowed
<b>C</b>	Lee	suspense
<b>D</b>	suspense	Lee

- 12 A trader provided the following information.

		\$
Feb 1	sales ledger control account balance	6 320 dr
28	sales journal total	51 200
	sales returns journal total	1 024
	cash received from credit customers	830
	cheques received from credit customers	50 340
	discount allowed	670

What was the balance on the sales ledger control account on 28 February?

- A** \$4656      **B** \$5326      **C** \$5486      **D** \$7180

- 13 A trader provided the following information.

	\$
non-current assets	137 000
current assets	44 500
current liabilities	18 000
non-current liabilities	15 500

What was the capital employed?

- A** \$110 500      **B** \$148 000      **C** \$163 500      **D** \$179 000

14 How is working capital calculated?

- A current assets – current liabilities
- B current assets – total liabilities
- C non-current assets – current liabilities
- D non-current assets – total liabilities

15 Leroy sublets part of his premises to Boris.

How can Leroy calculate the rent receivable for the year?

- A amount received – opening accrual – closing prepayment
- B amount received – opening accrual + closing prepayment
- C amount received + opening accrual – closing prepayment
- D amount received + opening accrual + closing prepayment

16 Which group of items appears in a partnership appropriation account?

- A drawings, interest on capital, partners' salaries
- B interest on capital, interest on drawings, partners' salaries
- C interest on capital, partners' loan interest, partners' salaries
- D interest on drawings, interest on capital, partners' loan interest

17 Fran and David are sole traders. They agree to amalgamate their businesses and to share profits and losses equally.

Fran's goodwill was valued at \$8000 and David's at \$6000.

How will goodwill be recorded in the books of the new business?

	account to be debited	\$	account to be credited	\$
<b>A</b>	Fran	8 000	goodwill	14 000
	David	6 000		
<b>B</b>	goodwill	14 000	Fran	8 000
			David	6 000
<b>C</b>	Fran	7 000	goodwill	14 000
	David	7 000		
<b>D</b>	goodwill	14 000	Fran	7 000
			David	7 000

18 What may appear in the income and expenditure account of a sports club?

- A decrease in bank balance during the year
- B increase in inventory of refreshments
- C purchase of new sports equipment
- D receipts from renting out clubhouse

19 A sports club provided the following information.

	\$
subscriptions received during the year	12 000
subscriptions owing at the start of the year	1 200
subscriptions owing at the end of the year	800

What was the amount of subscriptions shown in the income and expenditure account?

- A \$11 600      B \$12 400      C \$12 800      D \$13 200

20 A trader supplied the following information.

	\$
capital at start of the year	30 000
capital at end of the year	50 000
drawings during the year	12 000
additional capital introduced during the year	18 000

What was the profit for the year?

- A \$10 000      B \$14 000      C \$20 000      D \$26 000

21 What is mark-up?

- A gross profit expressed as a percentage of cost of sales
- B gross profit expressed as a percentage of sales
- C profit for the year expressed as a percentage of cost of sales
- D profit for the year expressed as a percentage of sales

22 Which item is directly affected by the dividend policy of a limited company?

- A general reserve
- B ordinary share capital
- C preference share capital
- D retained earnings

23 A limited company provided the following information.

	\$
issued share capital – 50 000 ordinary shares of \$1 each	50 000
profit for the year ended 30 April 2016	13 000
transfer to general reserve on 30 April 2016	6 000
interim ordinary share dividend paid during the year	3 000

On 30 April 2016 it was decided to use the remaining profit to pay a final ordinary share dividend.

What percentage final dividend would the ordinary shareholders receive?

- A 8%                      B 14%                      C 20%                      D 26%

24 A manufacturer provided the following information.

	\$
cost of raw materials consumed	20 000
direct wages	10 000
light and heat	5 000
machinery repairs	3 000

What was the prime cost?

- A \$20 000                      B \$30 000                      C \$35 000                      D \$38 000



- 25 At the end of the financial year a manufacturer had inventory of finished goods, raw materials and work-in-progress.

Which inventories will appear in the manufacturing account?

	finished goods	raw materials	work-in-progress
<b>A</b>	✓	✓	
<b>B</b>	✓		✓
<b>C</b>		✓	✓
<b>D</b>	✓	✓	✓

- 26 Dhoni's basic pay is \$4 per hour. He is paid overtime as follows.

Saturday    time and a half  
 Sunday     double time

Dhoni worked 6 hours on Saturday and 4 hours on Sunday.

How much was he paid for the overtime worked?

- A** \$40                      **B** \$44                      **C** \$60                      **D** \$68
- 27 An employer deducts income tax from staff wages each week and pays it to the government once a month on the last day of the month.

What does the entry posted to the credit side of the income tax account on 10 January represent?

- A** a payment made to the government  
**B** a refund of income tax to an employee  
**C** the amount deducted from staff wages on that date  
**D** the total for the month owed to the government

28 A company provided the following information.

	\$	\$
revenue		500 000
opening inventory	35 000	
purchases	<u>310 000</u>	
	345 000	
closing inventory	<u>45 000</u>	
cost of goods sold		<u>300 000</u>
gross profit		200 000

What was the rate of turnover of inventory?

- A 5 times
- B 6.67 times
- C 7.5 times
- D 8.57 times

29 Omar purchased land ten years ago for \$25 000. He has been offered \$60 000 for the land. He thinks that the land may now be worth \$100 000.

At what value should the land be recorded in Omar's statement of financial position?

- A \$25 000
- B \$60 000
- C \$75 000
- D \$100 000

30 Which statement is **not** true about reasons for using international accounting standards?

- A helps when making comparisons between companies
- B improves the reliability of accounting information
- C narrows the areas of difference between companies
- D makes the preparation of financial statements less time consuming



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