YOU MUST ANSWER ON THE MULTIPLE CHOICE ANSWER SHEET.

YOU WILL NEED:
- Multiple choice answer sheet
- Soft clean eraser
- Soft pencil (type B or HB is recommended)

INSTRUCTIONS
- There are thirty-five 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do not use correction fluid.
- Do not write on any bar codes.
- You may use a calculator.

INFORMATION
- The total mark for this paper is 35.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.
1 What is the purpose of book-keeping?
A to interpret the double entry records  
B to prepare financial statements at regular intervals  
C to record all the financial transactions of the business  
D to summarise the financial position of the business

2 What are assets?
A items that are bought for long-term use by a business  
B items that are expected to be turned into cash in the near future  
C items that are owned by or owed by a business  
D items that are owned by or owed to a business

3 Sami returns goods bought on credit from Javed.  
How does Javed record this in his books?

<table>
<thead>
<tr>
<th>account debited</th>
<th>account credited</th>
</tr>
</thead>
<tbody>
<tr>
<td>A purchases returns</td>
<td>Sami</td>
</tr>
<tr>
<td>B sales returns</td>
<td>Sami</td>
</tr>
<tr>
<td>C Sami</td>
<td>purchases returns</td>
</tr>
<tr>
<td>D Sami</td>
<td>sales returns</td>
</tr>
</tbody>
</table>

4 At the end of the financial year there was a debit balance brought down on the office expenses account.  
In which section of the statement of financial position will this be recorded?
A capital  
B current assets  
C current liabilities  
D non-current assets
The following ledger account appeared in the books of a trader.

<table>
<thead>
<tr>
<th>Rent account</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 1 balance b / d</td>
<td>600</td>
<td>Dec 31 income statement</td>
</tr>
<tr>
<td>Dec 31 bank</td>
<td>6300</td>
<td></td>
</tr>
<tr>
<td>balance c / d</td>
<td>350</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7250</td>
<td></td>
</tr>
</tbody>
</table>

What does the balance on 31 December represent?

A rent payable outstanding
B rent payable prepaid
C rent receivable outstanding
D rent receivable prepaid

Karim issued an invoice, a credit note and a receipt.

What has happened?

A Karim purchased goods and paid the supplier immediately.
B Karim purchased goods on credit, made returns to the supplier and paid the balance due.
C Karim sold goods and received immediate payment from the customer.
D Karim sold goods on credit, received returns from the customer and received the balance due.

A trader’s purchases on credit for April amounted to $2000. These purchases were subject to a trade discount of 10% and also a cash discount of 5% for accounts paid within 30 days.

How much was entered in the purchases journal?

A $1700    B $1800    C $1900    D $2000

Which is part of the double entry system?

A cash book
B general journal
C sales journal
D trial balance
9 What is a trial balance?

A a list of balances in a business’s books on a certain date
B a list of the assets, liabilities and capital of a business on a certain date
C a summary of all a business’s transactions for the year
D a summary of the financial position of a business at the year end

10 Which error will be revealed by the preparation of a trial balance?

A an amount recorded twice as a debit entry
B a capital expenditure item treated as revenue expenditure
C a double entry made using an incorrect amount
D a transaction completely omitted from the books

11 Tracey runs a clothing store. She sold a computer with a net book value of $2000 for $1800. Cash was received but no entries had been made in any accounts.

What is the effect of correcting this error on the statement of financial position?

<table>
<thead>
<tr>
<th></th>
<th>non-current assets</th>
<th>current assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>decrease 1800</td>
<td>increase 1800</td>
</tr>
<tr>
<td>B</td>
<td>decrease 1800</td>
<td>increase 2000</td>
</tr>
<tr>
<td>C</td>
<td>decrease 2000</td>
<td>increase 1800</td>
</tr>
<tr>
<td>D</td>
<td>decrease 2000</td>
<td>increase 2000</td>
</tr>
</tbody>
</table>

12 The bank statement of a business showed a bank overdraft of $1640 on 1 October 2017.

At that date there were uncredited deposits of $380 and unpresented cheques of $460.

What was the cash book balance on 1 October 2017?

A $1560 credit
B $1560 debit
C $1720 credit
D $1720 debit
13 What are the sources of information for entries in control accounts?

A bank statements
B books of prime entry
C ledger accounts
D sales invoices

14 A trader provided the following information.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 March</td>
<td>purchases ledger control account balance 4 000</td>
</tr>
<tr>
<td>31 March</td>
<td>purchases journal total 53 000</td>
</tr>
<tr>
<td></td>
<td>purchases returns journal total 2 000</td>
</tr>
<tr>
<td></td>
<td>cheques paid to suppliers 47 000</td>
</tr>
<tr>
<td></td>
<td>discounts received 1 000</td>
</tr>
</tbody>
</table>

What was the purchases ledger control account balance on 31 March?

A $7 000
B $9 000
C $11 000
D $13 000

15 Ryan bought a computer, cost $800, and some ink cartridges, cost $50, for use in the business. Both of these amounts were debited to the purchases account.

What was the effect of this error on the income statement for the year?

<table>
<thead>
<tr>
<th></th>
<th>cost of sales</th>
<th>expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>A</td>
<td>overstated</td>
<td>$800</td>
</tr>
<tr>
<td>B</td>
<td>overstated</td>
<td>$850</td>
</tr>
<tr>
<td>C</td>
<td>understated</td>
<td>$800</td>
</tr>
<tr>
<td>D</td>
<td>understated</td>
<td>$850</td>
</tr>
</tbody>
</table>

16 For which non-current assets is the revaluation method of depreciation most appropriate?

A loose tools
B motor vehicles
C office equipment
D plant and machinery
17. Amit depreciates his buildings at the rate of 2% per annum using the straight line method. He bought land for $200,000. It cost $120,000 to build a warehouse on it. After five years he sold the warehouse for $299,000.

What was the profit or loss on disposal?

A. $9,000 loss  
B. $9,000 profit  
C. $11,000 loss  
D. $11,000 profit

18. Why should accrued expenses be shown in the financial statements of a business?

A. so that the correct total of current assets is shown in the statement of financial position  
B. so that the total income of a period is matched against the total costs of that period  
C. to show how much customers owe the business  
D. to show the amount owed to credit suppliers

19. A trader sold goods to Zahid on credit. Zahid was unable to pay the amount owing and the balance on his account was written off.

Which entries will the trader make to write off this irrecoverable debt?

<table>
<thead>
<tr>
<th></th>
<th>account to be debited</th>
<th>account to be credited</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>irrecoverable debts</td>
<td>sales</td>
</tr>
<tr>
<td>B</td>
<td>irrecoverable debts</td>
<td>Zahid</td>
</tr>
<tr>
<td>C</td>
<td>sales</td>
<td>irrecoverable debts</td>
</tr>
<tr>
<td>D</td>
<td>Zahid</td>
<td>irrecoverable debts</td>
</tr>
</tbody>
</table>

20. Sumit maintains a position for doubtful debts at 5% of the trade receivables at the end of each financial year. On 1 January 2016 the trade receivables amounted to $3500 and the provision for doubtful debts was $175.

The income statement for the year ended 31 December 2016 was debited with $15 for the provision of doubtful debts.

How much did the trade receivables owe on 31 December 2016?

A. $3040  
B. $3200  
C. $3610  
D. $3800
21 Which group contains **only** trading businesses?

A driving school, motor insurance agency, vehicle repair business  
B driving school, motor insurance agency, petrol station  
C motor parts shop, vehicle repair business, car dealership  
D motor parts shop, petrol station, car dealership

22 Which statement is correct?

A cost of goods sold – gross profit – sales returns = revenue  
B cost of goods sold – gross profit + sales returns = revenue  
C cost of goods sold + gross profit – sales returns = revenue  
D cost of goods sold + gross profit + sales returns = revenue

23 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

24 Which should be entered in the appropriation account of a partnership?

<table>
<thead>
<tr>
<th></th>
<th>interest on partners’ capital</th>
<th>interest on partners’ loans</th>
<th>partners’ drawings</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>C</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

25 Meena and Khan are in partnership, sharing profits and losses equally. Interest on capital account balances is to be allowed at 5%.

The capital account balances at the start of the year were: Meena $10,000; Khan $20,000.

The profit for the year was $28,000.

How much was credited to Meena’s current account at the end of the year?

A $13,250  B $13,750  C $14,000  D $14,250
26 Zed Limited provided the following information.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>issued and paid up share capital</td>
<td>20000</td>
</tr>
<tr>
<td>general reserve</td>
<td>30000</td>
</tr>
<tr>
<td>retained earnings</td>
<td>15000</td>
</tr>
<tr>
<td>10% debentures</td>
<td>20000</td>
</tr>
</tbody>
</table>

What was the value of equity?

A $215,000   B $230,000   C $245,000   D $265,000

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

The retained earnings were $45,000 on 1 September 2016. These had increased to $75,000 on 31 August 2017. 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 A club provided the following information for a year.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td>21600</td>
</tr>
<tr>
<td>Payments</td>
<td>20000</td>
</tr>
<tr>
<td>Depreciation charged for the year</td>
<td>1250</td>
</tr>
<tr>
<td>Accumulated fund at the year end</td>
<td>15800</td>
</tr>
</tbody>
</table>

There were no accruals and prepayments and there had been no capital expenditure or capital receipts.

What was the accumulated fund at the start of the year?

A $12,950   B $14,200   C $15,450   D $16,150

29 A club provided the following information at the end of its financial year:

rent of premises paid in advance
outstanding subscriptions from members

Where will these items appear in the club’s statement of financial position?

<table>
<thead>
<tr>
<th></th>
<th>rent paid in advance</th>
<th>outstanding subscriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>current asset</td>
<td>current asset</td>
</tr>
<tr>
<td>B</td>
<td>current asset</td>
<td>current liability</td>
</tr>
<tr>
<td>C</td>
<td>current liability</td>
<td>current asset</td>
</tr>
<tr>
<td>D</td>
<td>current liability</td>
<td>current liability</td>
</tr>
</tbody>
</table>
30 Which is an indirect cost?
A carriage inwards  
B factory rent  
C production materials  
D production wages

31 A trader provided the following information.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 August 2016 capital</td>
<td>25000</td>
</tr>
<tr>
<td>31 July 2017 assets</td>
<td>75000</td>
</tr>
<tr>
<td>liabilities</td>
<td>36500</td>
</tr>
<tr>
<td>drawings during the year</td>
<td>7500</td>
</tr>
</tbody>
</table>

What was the profit for the year ended 31 July 2017?
A $6000  
B $13500  
C $17500  
D $21000

32 A business provided the following information.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>revenue for year</td>
<td>$189000</td>
</tr>
<tr>
<td>purchases for year</td>
<td>$125000</td>
</tr>
<tr>
<td>gross profit as a percentage of cost of sales</td>
<td>25%</td>
</tr>
</tbody>
</table>

What was the gross profit for the year?
A $31250  
B $37800  
C $47250  
D $64000

33 Donald’s rate of inventory turnover was 10 times. The inventory on 1 January 2017 was $800 and the inventory on 31 December 2017 was $1000.

What were his purchases for the year?
A $8800  
B $9000  
C $9200  
D $10800
34 What is the going concern principle?

A Accounting records are prepared assuming that the business will continue to operate in the foreseeable future.
B Income and expense should be accounted for in the same way they were accounted for in previous periods.
C Profit should not be anticipated and losses should be written off as soon as they are known.
D Revenue and costs should be recognised as they are earned or incurred, not when the money is received or paid.

35 Which accounting objective is being applied when financial information affects business decisions?

A comparability
B relevance
C reliability
D understandability