**Cambridge Assessment International Education**
Cambridge Ordinary Level

| **PRINCIPLES OF ACCOUNTS** | **7110/11** |
|---|---|
| Paper 1 Multiple Choice | **May/June 2019** |
| | **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.

Cambridge Assessment
International Education

**[Turn over**

**1** Which task is undertaken by an accountant?

**A** extracting a trial balance

**B** maintaining a petty cash book

**C** preparing an income statement

**D** writing up a cash book

**2** What are advantages of using ICT (Information and Communications Technology) in book-keeping and accounting?

1 Accounts are instantly updated and a new balance calculated after each entry.

2 Accuracy is increased as entries only need to be input once.

3 Documents such as invoices can be produced quickly and accurately.

**A** 1 and 2 only **B** 1 only **C** 1, 2 and 3 **D** 2 and 3 only

**3** Which does **not** reduce the owner's capital?

**A** business expenses paid using a personal cheque

**B** cash withdrawn from the business bank account for personal use

**C** goods taken from inventory for personal use

**D** personal expenses paid using business cash

**4** A statement of account issued to a customer on 31 March 2019 showed the following information.

|  | $ |
|---|---|
| invoices | 250 |
| credit note | 10 |

cash discount 5% if payment made within 14 days of date of statement of account

The customer made payment on 12 April 2019.

How much did the customer pay?

**A** $227.50 **B** $228 **C** $237.50 **D** $247

**5** Tahir purchased goods on credit from Yasmin.

How did Yasmin record this?

|   | book of prime (original) entry | account debited | account credited |
|---|---|---|---|
| **A** | purchases journal | purchases | Yasmin |
| **B** | purchases journal | Yasmin | purchases |
| **C** | sales journal | sales | Tahir |
| **D** | sales journal | Tahir | sales |

**6** Suzi owed $200 for goods supplied by Mandy. Suzi paid the amount owing by cheque, after deducting a cash discount of $10.

Which entries would Suzi make in Mandy's account to record this transaction?

**A** credit entries: bank $190, discount $10

**B** credit entries: bank $200, discount $10

**C** debit entries: bank $190, discount $10

**D** debit entries: bank $200, discount $10

**7** The following account appeared in the ledger of Chan.

| Fu account | | | | | |
|---|---|---|---|---|---|
| 2019 | | $ | 2019 | | $ |
| March | 28 bank | 100 | March | 1 balance b/d | 100 |
| | 31 balance c/d | 250 | | 12 purchases | 250 |
| | | 350 | | | 350 |

Which statement is correct?

**A** On 1 March Chan was owed $100 by Fu.

**B** On 12 March Fu purchased goods, $250, from Chan.

**C** On 28 March Chan paid Fu $100 by cheque.

**D** On 31 March Fu owed Chan $250.

**8** A trial balance is a listing of which balances?

**A** assets

**B** closing balances of all accounts

**C** liabilities

**D** opening balances of all accounts

**9** A business purchased a motor vehicle, $8900, on credit from AKS Limited.

The book-keeper made an error of reversal when recording this purchase.

What was the **incorrect** debit entry he made?

|   | account | $ |
|---|---------|---|
| **A** | AKS Limited | 8900 |
| **B** | AKS Limited | 9800 |
| **C** | motor vehicles | 8900 |
| **D** | motor vehicles | 9800 |

**10** Ali's financial year ends on 31 March. During the year ended 31 March 2019, Ali paid wages of $42 500. On 31 March 2019, $1400 wages were accrued.

Which journal entry records the transfer from the wages account to the income statement on 31 March 2019?

|   |   | debit $ | credit $ |
|---|---|---------|----------|
| **A** | income statement | 42 500 | |
|   | wages | | 42 500 |
| **B** | income statement | 43 900 | |
|   | wages | | 43 900 |
| **C** | wages | 42 500 | |
|   | income statement | | 42 500 |
| **D** | wages | 43 900 | |
|   | income statement | | 43 900 |

**11** On 1 March 2019, a trader paid rent of $1200 covering the period 1 March 2019 to 31 May 2019. The trader's financial year ends on 31 March 2019.

What balance was brought down on the rent payable account on 1 April 2019?

**A** credit $400

**B** credit $800

**C** debit $400

**D** debit $800

**12** An amount owed by Baloch was written off.

Which entries were made?

|   | account debited | account credited |
|---|---|---|
| **A** | bad debts | Baloch |
| **B** | bad debts | provision for doubtful debts |
| **C** | Baloch | bad debts |
| **D** | provision for doubtful debts | Baloch |

**13** Kevin depreciated his motor vehicle by $2000 at the end of the financial year.

Which journal entry would record this?

|   |   | debit $ | credit $ |
|---|---|---|---|
| **A** | income statement | 2000 | |
|   | provision for depreciation of motor vehicles | | 2000 |
| **B** | motor vehicles | 2000 | |
|   | provision for depreciation of motor vehicles | | 2000 |
| **C** | provision for depreciation of motor vehicles | 2000 | |
|   | income statement | | 2000 |
| **D** | provision for depreciation of motor vehicles | 2000 | |
|   | motor vehicles | | 2000 |

**14** Ravi's financial year ends on 30 April.

Ravi bought a motor vehicle for $8000 on 1 May 2016 and sold it for $4050 on 1 May 2018.

He uses the diminishing (reducing) balance method of depreciation at 20% per annum.

What would be recorded in the income statement for the year ended 30 April 2019 for the disposal of the motor vehicle?

A   $750 loss

B   $750 profit

C   $1070 loss

D   $1070 profit

**15** Which would **not** appear in a sales ledger control account?

A   bad debts written off

B   cash discount allowed

C   customer's cheque dishonoured

D   provision for doubtful debts

**16** Fatima opened a department store on 1 January 2018. She provided the following information on 31 December 2018.

| | department X $ | department Y $ |
|---|---|---|
| revenue | 100 000 | 60 000 |
| sales returns | 14 000 | 8 000 |
| purchases | 80 000 | 40 000 |
| carriage outwards | – | 1 000 |
| carriage inwards | 5 000 | – |

At 31 December 2018 inventory was valued at $16 000 of which 75% related to department X.

What was the gross profit of department Y?

A   $15 000          B   $16 000          C   $23 000          D   $24 000

**17** Which section of a statement of financial position would include goodwill?

   **A**   current assets

   **B**   current liabilities

   **C**   non-current assets

   **D**   non-current liabilities

**18** At the end of the financial year Omar was owed $200 by a credit customer and he owed $10 for electricity. He also had a 2-year bank loan of $5000.

In which sections of Omar's statement of financial position will these items appear?

| | credit customer | unpaid electricity bill | loan from bank |
|---|---|---|---|
| **A** | current assets | current assets | non-current assets |
| **B** | current assets | current liabilities | non-current liabilities |
| **C** | current liabilities | non-current assets | current assets |
| **D** | current liabilities | non-current liabilities | current liabilities |

**19** A club received subscriptions from members totalling $12 600 in the year ended 30 April 2019.

The following information was available.

| | at 30 April 2018 $ | at 30 April 2019 $ |
|---|---|---|
| subscriptions paid in advance | 1300 | – |
| subscriptions in arrears | 800 | 1100 |

Which amount appeared in the income and expenditure account for subscriptions for the year ended 30 April 2019?

   **A**   $11 000       **B**   $11 600       **C**   $13 600       **D**   $14 200

**20** A golf club sells refreshments to its members. Suppliers of refreshments were owed $250 on 1 January 2018 and $400 on 31 December 2018. Payments to suppliers during the year were $7200.

The inventory at the end of the year was $100 less than the inventory at the start of the year.

What was the cost of sales of refreshments for the year ended 31 December 2018?

   **A**   $7050       **B**   $7150       **C**   $7300       **D**   $7450

21  Mariam provided the following information.

|  | at 1 January 2018 $ | at 31 December 2018 $ |
|---|---|---|
| trade receivables | 5000 | 3500 |

Receipts from credit customers in the year ended 31 December 2018 amounted to $47 500.

What were the credit sales for year ended 31 December 2018?

**A**   $39 000      **B**   $46 000      **C**   $47 500      **D**   $49 000

22  Sue started a business on 1 January 2019. The only accounting record she maintained was a bank account.

Why is the balance on the bank account **not** equal to the profit for the year?

       1    Expenses may be accrued at the year-end.

       2    Goods may have been taken for personal use.

       3    Non-current assets may have depreciated.

**A**   1 and 2 only      **B**   1 only      **C**   1, 2 and 3      **D**   2 and 3 only

23  A limited company provided the following information.

|  |  | $ |
|---|---|---|
| 1 January | ordinary shares of $1 each | 200 000 |
|  | retained earnings | 12 000 |
| 31 December | profit for the year | 43 000 |
|  | transfer to general reserve | 10 000 |

A dividend of 10% on ordinary shares was paid during the year.

What were the retained earnings on 31 December?

**A**   $13 000      **B**   $23 000      **C**   $25 000      **D**   $35 000

24  What does **not** appear in a statement of changes in equity?

**A**   debenture interest paid

**B**   interim dividend paid on ordinary shares

**C**   issue of ordinary shares

**D**   transfer to general reserve

25 Which cost would be included in prime cost in a manufacturing account?

    **A**   depreciation of machinery

    **B**   factory manager's salary

    **C**   insurance

    **D**   royalties

26 Jacob works 30 hours each week and is paid $10 per hour. He pays income tax at 30%, national insurance at 10% and makes a voluntary contribution to charity of 5%.

What is his net weekly pay?

    **A**   $165        **B**   $180        **C**   $195        **D**   $210

27 A business's sales are $100 000, the expenses are $30 000 and the profit for the year is $20 000.

What is the gross profit/sales ratio?

    **A**   10%        **B**   50%        **C**   70%        **D**   80%

28 A trader provided the following information.

| | $ |
|---|---|
| profit for the year | 24 000 |
| working capital | 20 000 |
| capital | 120 000 |
| non-current liability | 30 000 |

What was the return on capital employed?

    **A**   14.12%        **B**   16.00%        **C**   17.14%        **D**   20.00%

29 A business prepares its accounts on the basis that it will continue to trade in the foreseeable future.

Which accounting principle is being applied?

    **A**   accounting entity

    **B**   accounting year

    **C**   going concern

    **D**   matching/accruals

**30** Which statement is **not** correct 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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