



# Cambridge O Level

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## ACCOUNTING

3176/12

Paper 1 Multiple Choice

May/June 2021

1 hour 15 minutes

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)

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## 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.
- Any rough working should be done on this question paper.

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This document has **12** pages.



- 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 Which group contains only liabilities?
- A bank loan, trade payables, prepaid insurance
  - B bank overdraft, trade payables, unpaid wages
  - C trade payables, cash at bank, unpaid rates
  - D trade payables, inventory, unpaid wages
- 3 In which accounts does a debit entry record an increase?
- 1 bank loan
  - 2 drawings
  - 3 motor vehicle
  - 4 purchases returns
- A 1 and 2      B 1 and 4      C 2 and 3      D 2 and 4
- 4 Sahil took goods from the business for his own use. These goods had a cost of \$60 and a selling price of \$100.
- Which entry was made in the drawings account to record this withdrawal of goods?
- A \$60 credit
  - B \$60 debit
  - C \$100 credit
  - D \$100 debit

- 5 The following account appeared in the ledger of Eli.

Jacob account			
	\$		\$
June 1 balance b/d	220	June 4 bank	210
22 sales	400	discount	10
	—	30 balance c/d	<u>400</u>
	<u>620</u>		<u>620</u>

Which statement is correct?

- A** On 1 June, Eli was owed \$220 by Jacob.  
**B** On 4 June, Eli paid Jacob \$210 by cheque.  
**C** On 22 June, Jacob sold goods, \$400, to Eli.  
**D** On 30 June, Jacob was owed \$400 by Eli.
- 6 Ali records all the credit notes he issues in a book of prime entry in order to reduce the number of entries in his ledger.

Which accounts have fewer entries because he uses this book of prime entry?

- 1 the individual accounts in the purchases ledger
  - 2 the individual accounts in the sales ledger
  - 3 the purchases returns account in the nominal (general) ledger
  - 4 the sales returns account in the nominal (general) ledger
- A** 1 and 3      **B** 2 and 4      **C** 3 only      **D** 4 only

- 7 A trader provided the following extract from his sales journal.

sales journal			
2021		\$	\$
February 7	J Sango		
	goods	100	
	trade discount	<u>20</u>	80

Which entry was made in the account of J Sango in the sales ledger?

- A** credit \$80
- B** credit \$100
- C** debit \$80
- D** debit \$100
- 8 When comparing his bank statement and the bank columns of his cash book, Jai found that the following items appeared only on the bank statement.
- 1 Rent of premises had been paid by standing order.
  - 2 Annie, a credit customer, had paid her account by credit transfer.

Which entries are required to update Jai's accounts?

	standing order		credit transfer	
	account debited	account credited	account debited	account credited
<b>A</b>	bank	rent	bank	Annie
<b>B</b>	bank	rent	Annie	bank
<b>C</b>	rent	bank	bank	Annie
<b>D</b>	rent	bank	Annie	bank

- 9 A cheque paid for motor vehicle repairs was credited to the bank and debited to the motor vehicles account.

Which statement is correct?

- A** The total of the credit column of the trial balance was greater than the total of the debit column.
- B** The total of the debit column of the trial balance was greater than the total of the credit column.
- C** The totals of the trial balance were not affected as an error of commission had been made.
- D** The totals of the trial balance were not affected as an error of principle had been made.

10 A draft income statement showed a gross profit of \$12 200.

It was later found that carriage on purchases, \$260, and carriage on sales, \$230, had both been included as expenses in the profit and loss section of the income statement.

What was the corrected gross profit?

- A** \$11 710      **B** \$11 940      **C** \$12 460      **D** \$12 690

11 Which statements are correct?

- 1 A bank reconciliation statement is part of double entry book-keeping.
- 2 A bank reconciliation statement is prepared by the bank.
- 3 A bank reconciliation statement is prepared by the trader.

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

12 Tahir is preparing his purchases ledger control account.

From which book of prime entry will he obtain information about contra entries?

- A** cash book  
**B** general journal  
**C** purchases journal  
**D** sales journal

13 Which items would be classified as a capital receipt?

	cash received from the sale of a non-current asset at book value	cash introduced by the owner of the business	cash borrowed from a bank	cash received from the sale of goods
<b>A</b>		✓		✓
<b>B</b>	✓		✓	✓
<b>C</b>		✓	✓	✓
<b>D</b>	✓	✓	✓	

14 The cost of repairing office equipment was incorrectly recorded in the office equipment account.

What was the **effect** of this error?

	non-current assets	expenses
<b>A</b>	overstated	overstated
<b>B</b>	overstated	understated
<b>C</b>	understated	overstated
<b>D</b>	understated	understated

15 Tom started a business and purchased equipment, \$10 000.

He provided depreciation using the straight-line method.

Which statement is correct?

- A** The accumulated depreciation at the end of each year decreases.
- B** The accumulated depreciation at the end of each year increases.
- C** The depreciation charge for each year decreases.
- D** The depreciation charge for each year increases.

16 Why is it important to match costs and revenues?

- A** so that every debit entry has a corresponding credit entry
- B** so that the business does not incur any losses
- C** to enable a better comparison of profit from year to year
- D** to ensure that the bank balance is accurate

- 17 Maria started a business on 1 January 2020. The monthly rates on her business premises are \$100. During the year ended 31 December 2020 she paid rates of \$1300.

Which journal entry did Maria make on 31 December 2020 to transfer the rates to the income statement?

		debit \$	credit \$
<b>A</b>	income statement rates	1200	1200
<b>B</b>	income statement rates	1300	1300
<b>C</b>	rates income statement	1200	1200
<b>D</b>	rates income statement	1300	1300

- 18 At the year end the following entry was recorded on the credit side of Johnny's irrecoverable debts account.

	\$
income statement	40

What had happened during the year?

- A** Debts had been written off.  
**B** Debts previously written off had been recovered.  
**C** The amount provided for doubtful debts had decreased.  
**D** The amount provided for doubtful debts had increased.
- 19 Ansha maintained a provision for doubtful debts of 6% of trade receivables. She decided that from 31 December 2020 the provision should be increased to 8%.

On 1 January 2020, the provision for doubtful debts was \$9000. The income statement for the year ended 31 December 2020 was debited with \$6000 for the provision for doubtful debts.

How much did trade receivables owe Ansha on 31 December 2020?

- A** \$150 000      **B** \$187 500      **C** \$225 000      **D** \$250 000

- 20 Khalid sells two types of goods. He provided the following information at the end of his financial year.

type of goods	number of units	cost per unit			selling price per unit \$
		cost \$	carriage inwards \$	total cost \$	
X	10	900	60	960	950
Y	30	1400	100	1500	2100

What was the value of Khalid's inventory?

- A** \$51 000      **B** \$51 600      **C** \$54 500      **D** \$54 600
- 21 Seema is a business consultant. She provided the following information at the end of her first financial year on 31 January 2021.

	\$
total fees earned during the year	244 000
fees owed by clients at 31 January 2021	22 000
cost of computer equipment purchased	26 000
loan interest paid	4 000
all other business expenses	142 000

What was Seema's profit for the year?

- A** \$72 000      **B** \$94 000      **C** \$98 000      **D** \$120 000
- 22 Alice took goods for her own use but did not enter this in her accounting records. She made an adjustment for these goods in the year-end financial statements.

How did this adjustment affect the gross profit and the closing capital?

	gross profit		closing capital		
	increase	decrease	increase	decrease	no effect
<b>A</b>	✓		✓		
<b>B</b>	✓				✓
<b>C</b>		✓		✓	
<b>D</b>		✓			✓



23 Arthur and Basil are partners. Their financial year ends on 31 December.

Which items would require an adjustment in the partnership's income statement for the year ended 31 December 2020?

	salary due to Arthur	goods taken for own use by Basil	interest due on loan from Basil
<b>A</b>	✓	✓	✓
<b>B</b>	✓	✓	
<b>C</b>	✓		✓
<b>D</b>		✓	✓

24 What is **not** part of the equity of a limited company?

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

25 A company had retained earnings of \$3600 on 1 February 2020. The profit for the year ended 31 January 2021 was \$20 000.

An interim ordinary share dividend of \$2000 was paid and a transfer was made to general reserve.

The retained earnings on 31 January 2021 amounted to \$15 600.

How much was transferred to general reserve?

- A** \$2400                      **B** \$4400                      **C** \$6000                      **D** \$8000

26 A sports club was established on 1 January 2020.

Which items would be included in the receipts and payments account for the year ended 31 December 2020?

- 1 cost of new furniture to be used in the clubhouse
- 2 subscriptions paid by club members in advance for the next financial year
- 3 subscriptions owing by club members at the end of the financial year
- 4 snack bar wages owing at the end of the financial year

- A** 1 and 2                      **B** 1 and 4                      **C** 2 and 3                      **D** 3 and 4

- 27** A drama society has 400 members and the subscription is \$20 per year.

During the financial year ended 30 November 2020, the amounts paid by members were as follows.

392 members paid \$20 each.

5 members paid \$40 each for their subscriptions for the previous year and the current year.

3 members paid \$40 each for their subscriptions for the current year and the following year.

How much should have been entered for subscriptions in the income and expenditure account for the year ended 30 November 2020?

- A** \$7760      **B** \$7900      **C** \$7920      **D** \$8000

- 28** Paul does not maintain a full set of accounting records but was able to provide the following information.

The total assets on 31 January 2021 were \$12 000 more than they were on 1 February 2020.

The total liabilities on 31 January 2021 were \$7000 less than they were on 1 February 2020.

Paul's drawings for the year ended 31 January 2021 were \$13 000.

What was the profit for the year ended 31 January 2021?

- A** \$6000      **B** \$8000      **C** \$18 000      **D** \$32 000

- 29** Hassan provided the following information at the end of his financial year.

revenue	\$60 000
mark up	25%
rate of inventory turnover	10 times

How much was his average inventory?

- A** \$2250      **B** \$2400      **C** \$4500      **D** \$4800

30 Brody had the following assets and liabilities.

	\$
inventory	12 000
trade receivables	30 000
other payables	6 000
trade payables	17 000
bank overdraft	?

Brody's liquid (acid test) ratio was 1.2 : 1.

What was his bank overdraft?

- A** \$2000      **B** \$8000      **C** \$12 000      **D** \$18 000

31 Salsabil sells goods on both cash and credit terms.

Which formula should she use to calculate the trade receivables turnover?

**A**  $\frac{\text{cash sales} + \text{credit sales}}{\text{trade receivables}} \times \frac{365}{1}$

**B**  $\frac{\text{trade receivables}}{\text{cash sales} + \text{credit sales}} \times \frac{365}{1}$

**C**  $\frac{\text{credit sales}}{\text{trade receivables}} \times \frac{365}{1}$

**D**  $\frac{\text{trade receivables}}{\text{credit sales}} \times \frac{365}{1}$

32 A limited company provided the following information.

	year 1	year 2
revenue	\$10 000	\$11 000
gross margin	55%	58%
profit margin	5%	7%

Which statements about the expenses are correct?

- 1 They decreased as a proportion of sales.
- 2 They increased as a proportion of sales.
- 3 They decreased in dollar terms.
- 4 They increased in dollar terms.

**A** 1 and 3      **B** 1 and 4      **C** 2 and 3      **D** 2 and 4

33 When calculating his profit for the year, Sufian, a trader, did not include personal transactions.

Which accounting principle was he applying?

- A** business entity
- B** materiality
- C** prudence
- D** realisation

34 Applying the money measurement principle, what is recorded in a statement of financial position?

- A** better staff morale following redecoration of premises
- B** improved public roads to the business premises
- C** increase in efficiency following staff training
- D** installation of air conditioning to improve staff comfort

35 Why is comparability an important objective?

- A** so that business decisions are based on up-to-date information
- B** so that financial information can be assessed against industry averages
- C** so that financial statements are free from significant errors and from bias
- D** so that the information in financial statements is clear to users