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**PRINCIPLES OF ACCOUNTS**

**7110/12**

Paper 1 Multiple Choice

**May/June 2018**

**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 statement about a computerised accounting system is correct?
- A The general ledger does not include non-current asset accounts.
  - B The income statement always shows a profit.
  - C The statement of financial position does not include non-current assets.
  - D The trial balance always balances.
- 2 Which group contains only liabilities?
- A bank loan, trade payables, prepaid rent
  - B bank overdraft, trade payables, unpaid wages
  - C trade payables, cash at bank, unpaid rates
  - D trade payables, inventory, unpaid wages
- 3 What is the accounting equation?
- A  $\text{assets} - \text{liabilities} = \text{capital}$
  - B  $\text{assets} + \text{liabilities} = \text{capital}$
  - C  $\text{liabilities} - \text{assets} = \text{capital}$
  - D  $\text{liabilities} - \text{capital} = \text{assets}$
- 4 Omar returned faulty goods to Yasmin, the supplier.
- Which document did Omar send to Yasmin?
- A credit note
  - B debit note
  - C invoice
  - D statement of account

- 5 Jacob settled the account of Ahmed, a credit supplier. He made the following entries on the credit side of his cash book.

	discount \$	cash \$	bank \$
Ahmed	5		195

Which entries did Jacob make on the debit side of Ahmed's account?

		\$
<b>A</b>	Bank	195
<b>B</b>	Bank	200
<b>C</b>	Bank	195
	Discount allowed	5
<b>D</b>	Bank	195
	Discount received	5

- 6 What may a credit balance on a ledger account represent?

- A** accrued income
- B** asset
- C** expense
- D** prepaid income

- 7 The following partly-completed account appeared in Edward's sales ledger.

Ann account

2018		debit	credit	balance
		\$	\$	\$
April 4	sales	21 500		
11	sales returns		500	

On 29 April, Ann paid \$10 000 by cheque and was given a cash discount of \$200.

Which statement is correct on 30 April?

- A** Ann owed Edward \$10 800.
- B** Ann owed Edward \$11 200.
- C** Edward owed Ann \$10 800.
- D** Edward owed Ann \$11 200.

- 8 The totals of a trial balance did not agree. The total of the debit column was \$13 400.

It was found that the purchases journal had been overcast by \$195 and goods bought from supplier X for \$85 had been incorrectly credited to Y.

What was the total of the credit column of the trial balance?

- A** \$13 120      **B** \$13 205      **C** \$13 595      **D** \$13 680

- 9 Leo is unable to pay the debt he owes to Sam.

Which entry did Sam make to write off this bad debt?

	debit	credit
<b>A</b>	bad debts account	income statement
<b>B</b>	bad debts account	Leo account
<b>C</b>	income statement	Leo account
<b>D</b>	Leo account	income statement

- 10 Rashid maintains a provision for doubtful debts of 5% of the trade receivables at the end of each year.

Trade receivables owed \$40 000 on 31 March 2017.

Trade receivables owed \$46 000 on 31 March 2018.

Which journal entry should Rashid make on 31 March 2018?

		debit \$	credit \$
<b>A</b>	income statement provision for doubtful debts	300	300
<b>B</b>	income statement provision for doubtful debts	2300	2300
<b>C</b>	provision for doubtful debts income statement	300	300
<b>D</b>	provision for doubtful debts income statement	2300	2300

11 What are examples of revenue receipts?

- 1 a cheque received from the sale of a non-current asset at book value
- 2 a profit made on the sale of a non-current asset
- 3 a loan from a bank that is repayable in 2020
- 4 discounts received from credit suppliers for prompt payment

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

12 Jon paid \$18 000 for machinery on 1 January 2016.

He depreciated this asset using the diminishing (reducing) balance method at 5% per annum.

What was the balance on the provision for depreciation account on 1 January 2018?

**A** \$1755 credit    **B** \$1755 debit    **C** \$1800 credit    **D** \$1800 debit

13 A motor vehicle cost \$20 000. It was sold for \$12 000. At the date of disposal the motor vehicle had been depreciated by \$7200.

Which journal entry records the closing of the disposal account?

		debit \$	credit \$
<b>A</b>	disposal account income statement	800	800
<b>B</b>	disposal account income statement	8000	8000
<b>C</b>	income statement disposal account	800	800
<b>D</b>	income statement disposal account	8000	8000

14 A business provided the following information.

	\$
sales ledger control account balance on 1 March	3 950 debit
credit sales	92 600
cash sales	14 800
receipts from credit customers	73 900
discounts allowed	5 700
discounts received	6 400
returns inwards	15 200
returns outwards	9 600

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

- A** \$1750      **B** \$6650      **C** \$16 550      **D** \$21 450

15 James was late paying an invoice issued by Henry.

Henry charged James interest on the overdue amount.

Which entry would be made in Henry's control accounts?

- A** credit purchases ledger control account  
**B** credit sales ledger control account  
**C** debit purchases ledger control account  
**D** debit sales ledger control account

16 Dennis runs a business with two departments, one selling carpets and one selling furniture.

Total sales were \$210 000 of which 60% related to the carpet department.

The total gross profit was \$54 600 of which 60% related to the furniture department.

What was the cost of sales of the carpet department?

- A** \$51 240      **B** \$62 160      **C** \$93 240      **D** \$104 160

17 Which is an intangible asset?

- A buildings
- B goodwill
- C inventory
- D trade receivables

18 A business has no non-current liabilities.

What is added to the non-current assets in order to calculate the capital employed?

- A current assets
- B current liabilities
- C owner's capital
- D working capital

19 Alan's inventory consisted of the following.

quantity	goods	cost per unit \$	selling price per unit \$
100	large t-shirts	5	7
20	small t-shirts	5	3

What was the value of the inventory?

- A \$560
- B \$600
- C \$760
- D \$800

20 Which item is credited in a partnership appropriation account?

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

- 21 Y and Z formed a partnership and agreed to share profits equally. Y deposited \$30 000 into the business bank account. Z introduced a motor vehicle worth \$15 000 and goodwill of \$15 000.

How should these transactions be recorded in the books of the partnership?

	accounts to be debited		accounts to be credited	
		\$		\$
<b>A</b>	bank	30 000	capital Y	30 000
	goodwill	15 000	capital Z	30 000
	motor vehicle	15 000		
<b>B</b>	bank	30 000	capital Y	37 500
	goodwill	15 000	capital Z	22 500
	motor vehicle	15 000		
<b>C</b>	capital Y	30 000	bank	30 000
	capital Z	30 000	goodwill	15 000
			motor vehicle	15 000
<b>D</b>	capital Y	37 500	bank	30 000
	capital Z	22 500	goodwill	15 000
			motor vehicle	15 000

- 22 A business provided the following information.

	\$
revenue	100 000
gross profit	20 000

What was the percentage mark-up?

- A** 20%                      **B** 25%                      **C** 75%                      **D** 80%

- 23 A trader does not keep a full set of accounting records.

How can he calculate credit sales?

- A** cheques received from customers + owed by customers at start of year + owed by customers at end of year
- B** cheques received from customers + owed by customers at start of year – owed by customers at end of year
- C** cheques received from customers – owed by customers at start of year + owed by customers at end of year
- D** cheques received from customers – owed by customers at start of year – owed by customers at end of year



24 Which item would be entered in a statement of changes in equity?

- A debenture interest accrued
- B debenture interest paid
- C ordinary dividend paid for current year
- D ordinary dividend proposed for current year

25 On 1 January NH Limited was formed with the issue of 200 000 ordinary shares of \$0.50 each. During the first year it made a profit of \$21 000. A dividend of \$0.02 per share was paid and \$10 000 was transferred to general reserve.

What was the total of reserves on 31 December?

- A \$7000            B \$9000            C \$17 000            D \$19 000

26 Which type of labour would be classified as direct?

- 1 factory managers
- 2 factory office staff
- 3 factory production workers

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

27 A manufacturing business provided the following information.

	\$
prime cost	30 500
factory overheads	17 200
cost of goods produced	46 000
office and selling expenses	9 500
opening work-in-progress	5 100

What was the value of the closing work-in-progress?

- A \$1700            B \$3400            C \$6800            D \$16 300

28 Which document is used to inform employees of their social security/national insurance contributions?

- A clock card
- B payroll register
- C payslip
- D time sheet

29 A business provided the following information.

	2016 %	2017 %
gross profit/sales	40	30
net profit/sales	8	10

What may have caused the change in the net profit/sales ratio?

- A expenses have decreased
  - B expenses have increased
  - C the percentage of expenses to sales has decreased
  - D the percentage of expenses to sales has increased
- 30 A trader spreads the cost of a machine over the years which benefit from the use of that machine.

Which accounting principle is being applied?

- A accounting year
- B dual aspect
- C matching/accruals
- D materiality



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