

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts

7110/1

Paper 1

Monday

7 NOVEMBER 2016

Additional Material(s):

Multiple choice answer sheet

Time 1 hour

Instructions to Candidates

- 1 Write your name, centre number and candidate number on the answer sheet in the spaces provided unless this has already been done for you.
- 2 You are required to use a soft pencil (Type B or HB is recommended) and a soft clean eraser.
- 3 There are **forty (40)** questions in 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.

Information for Candidates

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.

Non-programmable Calculators may be used.

Cell phones are not allowed in the examination room.

- 1** The importance of accounting information is to ...
 - A** measure the performance of the business.
 - B** pay salaries to workers.
 - C** test the market share.
 - D** forecast purchases.
- 2** Which of the following are job opportunities for someone who has studied Accounts?
 - (i)** Secretary
 - (ii)** Public Relations Manager
 - (iii)** Minister of Finance
 - (iv)** Technician
 - (v)** Bursar
 - (vi)** Buyer
 - (vii)** Stores Manager
 - A** (i), (iv)
 - B** (ii), (vi)
 - C** (iii), (v)
 - D** (v), (vii)
- 3** Explain the term business transaction.
 - A** The recording of information in the books of the business.
 - B** The exchange of goods for goods.
 - C** A meeting for business executives.
 - D** The exchange of goods and services for money's worth.
- 4** The exchange of goods, money and services between persons is called ...
 - A** barter transaction.
 - B** business transaction.
 - C** trade transaction.
 - D** selling and buying.
- 5** Which of the following are not included in the Sales Day Book?
 - A** Cash Sales
 - B** Credit sales made to overseas customers
 - C** Credit sales made without deduction of trade discount
 - D** Credit sales which eventually turn out to be bad debts
- 6** If a Debtor's Account is overcharged on the invoice, which document is sent to him to adjust the amount due from him?
 - A** Purchases Invoice
 - B** Sales Invoice
 - C** Debit Note
 - D** Credit Note

- 7** The Ledger is the main book of accounts where ... are completed.
A calculations
B double entries
C transactions
D single entries
- 8** ... is an example of a nominal account.
A Asset
B Liability
C Expense
D Capital
- 9** The double entry is completed in the ...
A Sales book.
B Ledger book.
C Purchases book.
D General book.
- 10** The personal accounts of debtors are found in the ...
A Sales Ledger.
B General Ledger.
C Purchases Ledger.
D Nominal Ledger.
- 11** A Trial Balance is prepared to check the ...
A financial position of the business.
B arithmetical accuracy of the accounts.
C profitability position of the business.
D accuracy of the accounts.
- 12** Below is a Trial Balance prepared by an inexperienced book-keeper. You are required to redraft it and find the correct balance. Which of the following is the correct balance?

	Dr (K)	Cr (K)
Purchases returns	3 000	
Carriage inwards		2 000
Purchases	40 000	
Sales	70 000	
Debtors	20 000	
Creditors		12 000
Bank overdraft	14 000	
Motor vehicles		134 000
Sales Returns	15 000	
Capital	112 000	
	274 000	148 000

- A** K177 000
B K218 000
C K197 500
D K211 000

- 13** The Balance Sheet can be defined as a ...
- A** list of balances after calculating net profit.
 - B** statement of assets and liabilities.
 - C** trial balance at different dates.
 - D** list of balances before calculating net profit.
- 14** In which statement is gross profit calculated?
- A** Balance Sheet
 - B** Trial Balance
 - C** Profit and Loss Account
 - D** Trading Account
- 15** Calculate the Cost of Goods sold from the following items:
- | | |
|------------------|----------|
| Closing stock | K72 400 |
| Carriage Inwards | K5 700 |
| Purchases | K213 600 |
| Opening Stock | K21 360 |
- A** K156 860
 - B** K168 260
 - C** K313 060
 - D** K270 340
- 16** Which of these would appear as a current liability in the Balance Sheet?
- A** Wages due
 - B** Rent receivable due
 - C** Insurance premium paid in advance
 - D** Advertising charges carried forward
- 17** The cost of a machine is K250 000, provision for depreciation is K60 000, depreciation charges for the year are K19 000. In the Balance Sheet, the machine will be shown at a net value of ...
- A** K190 000.
 - B** K231 000.
 - C** K250 000.
 - D** K171 000.
- 18** Which of the following errors would not affect the balancing of a Trial Balance?
- A** An amount not posted to E. Nyirenda.
 - B** An amount omitted entirely from the books.
 - C** An amount posted to the wrong side of the account.
 - D** An amount overcast in one account.

- 19** Which of these errors will be revealed by the Trial Balance?
- A** Error on a Purchases Invoice.
 - B** Purchases from M Sakala entered in R Sakala's account.
 - C** Carriage outwards debited to Purchases Account.
 - D** Overcast of total on sales account.
- 20** Discount received K2 000 has been posted on the debit side of Discount allowed account. The entry to correct the error is ...
- A** Suspense Dr K2 000 Discount received Cr K2 000
 - B** Discount allowed Dr K2 000 Discount received Cr K2 000
 - C** Suspense Dr K4 000 Discount allowed Cr K 2 000
Discount received Cr K2 000
 - D** Discount allowed Dr K4 000 Discount received Cr K4 000
- 21** Which statement is sent by the bank to its customers to verify the balance at bank at the end of the month?
- A** Bank Statement
 - B** Statement of Account
 - C** Cash Statement
 - D** Bank Reconciliation Statement
- 22** Which one of the following does not create a difference, between the bank balance of the firm and the balance shown by the bank statement?
- A** Errors made by the firm's bank.
 - B** Cheques written by the firm which have not yet appeared on its bank statement.
 - C** Lodgements made by the firm which have not yet appeared on its bank statement.
 - D** Cheques received appearing both on the bank statement and in the bank account.
- 23** Why do Accountants prepare Control Accounts? To ...
- A** calculate the sales and purchases.
 - B** find errors quickly.
 - C** make the 'Trial balance' balance.
 - D** prevent errors quickly.
- 24** Which item appears on the credit side of a Purchases Ledger Control Account?
- A** Cheques paid
 - B** Discount received
 - C** Refund from suppliers
 - D** Purchases returns

- 25** Which of the following is similar to a club's Receipts and Payments Account?
- A** Cash or Bank Account
 - B** Balance Sheet
 - C** Income and Expenditure Account
 - D** Profit and Loss Account
- 26** Social club's records for the year show
- | | |
|-------------------------------|--------|
| Subscriptions | K8 000 |
| Sales of refreshments | K4 000 |
| Purchase of refreshments | K2 000 |
| Opening stock of refreshments | K800 |
| Closing stock of refreshments | K600 |
- What is the total net income for the year?
- A** K8 000
 - B** K9 800
 - C** K10 000
 - D** K12 000
- 27** Which item should be treated as capital expenditure in the accounts of a company?
- A** Purchase of a new computer for resale.
 - B** Legal costs for the purchase of property.
 - C** Renewing the electrical wiring in the office.
 - D** Repairs to plant and machinery.
- 28** Which of the following is a revenue receipt for a newspaper agent?
- A** The proceeds of the sale of plant and equipment.
 - B** Money received from an insurance company as a result of crashing a delivery vehicle.
 - C** A refund received from a supplier as compensation for damaged stock supplied.
 - D** Commission received from the sale of newspapers.
- 29** Single entry records are kept by ...
- A** all the traders.
 - B** partnerships.
 - C** small traders.
 - D** companies.
- 30** Which of the following is **not** used in the calculation of profit for incomplete records?
- A** Opening capital = opening assets – opening liabilities.
 - B** Drawings = Closing capital – opening capital.
 - C** Closing capital = closing assets – closing liabilities.
 - D** Net profit = closing capital – opening capital + drawings – additional investment.

31 Which of the following item is used in sales calculation for single entry organisations?

- A** Discount allowed
- B** Cash payments to creditors
- C** Discount received
- D** Returns outwards

32 A partnership is formed by ...

- A** a partnership act.
- B** a partnership deed.
- C** a verbal agreement.
- D** an agreement in writing.

33 Which one is **not** an appropriation of profit?

- A** Partner's interest on loan
- B** Partner's interest on capital
- C** Partner's interest on drawings
- D** Partner's share of profits

34 In Manufacturing account, prime cost is equal to total ...

- A** direct manufacturing costs.
- B** manufacturing costs.
- C** indirect costs.
- D** overhead expenses.

35 The manufacturer provides you with the following balances.

	K
Raw materials (opening stock)	60 000
Direct Labour	23 000
Royalties	2 000
Factory overheads	37 000
Depreciation of plant	53 000
Sale of scrapped raw materials	5 000

What is the prime cost?

- A** K80 000
- B** K85 000
- C** K180 000
- D** K175 000

36 In manufacturing business, royalty paid on every item manufactured is regarded as ...

- A** an indirect expense.
- B** a direct expense.
- C** part of raw materials used.
- D** a factory overhead expense.

- 37** Why is it against Accounting Ethics and Standards to value closing stock in the final accounts at market value? It ...
- A** has double effect on profits.
 - B** has no effect on the profits.
 - C** would understate the profit.
 - D** would overstate the profits.
- 38** Explain the meaning of ethics in accountancy. Study of ...
- A** how to make profits in a business.
 - B** morals, values and judgement as they apply in accountancy.
 - C** business etiquette as they apply in accountancy.
 - D** banking procedures in a business as they apply in accountancy.
- 39** The Acid Test Ratio is calculated by ...
- A** $\text{Current Assets} \div \text{Current Liabilities}$.
 - B** $\text{Debtors} \div \text{Creditors}$.
 - C** $\text{Current Assets less Debtors} \div \text{Current Liabilities}$.
 - D** $\text{Current Assets less Closing Stock and Prepayment} \div \text{Current Liabilities}$.
- 40** Which organization has a high Rate of Stock Turnover?
- A** Electrical wholesale chain
 - B** Estate agency
 - C** Fast food outlet
 - D** Travel agency