

**EXAMINATIONS COUNCIL OF ZAMBIA**

Joint Examination for the School Certificate  
and General Certificate of Education Ordinary Level

**PRINCIPLES OF ACCOUNTS 7110/1**

PAPER 1 Multiple Choice

Thursday

15 NOVEMBER 2012

Additional materials:  
Multiple Choice Answer Sheet

RHODES PARK SCHOOLS LTD  
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23 JUL 2013

SECONDARY SECTION

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**TIME: 1 hour 15 minutes**

**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 very carefully the instructions on the Answer Sheet.**

**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 One of the most important function of accounting is to ...
  - A summarise financial information periodically in order to prepare profit and loss reports and balance sheet for the owners.
  - B summarise the debtors' and creditors' information periodically for the owners.
  - C prepare the balance sheet periodically for the owners.
  - D summarise the cash book records periodically for the owners.
- 2 The meaning of the Prudence Concept is that accounts should ...
  - A not change methods from year to year.
  - B provide for all probable losses and should not anticipate profits.
  - C only include items with a monetary value.
  - D provide for all accruals and prepayments.
- 3 Calculate the capital from the following items.

Assets: Buildings K20 000 000; Cash K100 000;

Liabilities: Creditors K3 000 000; Loan from Mufalo K4 000 000

  - A K21 100 000
  - B K13 100 000
  - C K32 400 000
  - D K26 100 000
- 4 Transactions of a similar nature should be recorded in the same way, in the same accounting period and in all future accounting periods. Which accounting principle is being applied?
  - A Going concern
  - B Materiality
  - C Prudence
  - D Consistency
- 5 The Balance Sheet is simply a statement of ...
  - A creditors, liabilities and debtors of a business at any given time.
  - B assets, liabilities and capital of a business at any given time.
  - C assets and liabilities of a business at any given time.
  - D liabilities and capital of a business at any given time.
- 6 Which transaction is entered in the General Journal?
  - A Machinery bought on credit
  - B Cash paid to supplier
  - C Stock bought on credit
  - D Cash received from customers

- 7 Mande owns a toyshop. He sells a toy to Chipso who pays cash. How will Mande record this transaction?
- A Debit cash and credit sales
  - B Debit cash and credit Chipso
  - C Debit sales and credit cash
  - D Debit Chipso and credit sales
- 8 Kangwa, a trader withdrew K250 000 from the business bank account for office use. How is this recorded in Kangwa's Books?
- | Account to be debited | Account to be credited |
|-----------------------|------------------------|
| A Bank                | Cash                   |
| B Bank                | Drawings               |
| C Drawings            | Bank                   |
| D Cash                | Bank                   |
- 9 J B Phiri extracted a Trial Balance which failed to balance, the debit side being greater by K1 750 000. A balance sheet was drawn before the suspense account was cleared. How was the suspense account balance treated? It was recorded under ...
- A fixed assets.
  - B current assets.
  - C long term liabilities.
  - D current liabilities.
- 10 A business keeps a three column cash book. Where is the total of the discount column on the credit side posted?
- A To the debit side of discount allowed account.
  - B To the debit side of discount received account.
  - C To the credit side of discount allowed account.
  - D To the credit side of discount received account.
- 11 Why does a business prepare a Trial Balance?
- A To calculate the profit and loss.
  - B To show the financial position.
  - C To check the arithmetical accuracy of the ledger.
  - D To check the cash and bank balances.
- 12 The books of prime entry may also be called ...
- A Ledger Book.
  - B Subsidiary Books.
  - C Cash Books.
  - D Bank Books.

- 13 Which of the following affects Trial Balance agreement?
- A Wages account added up incorrectly, being totalled K10 000 more.
  - B Purchases K440 000 from Monde entered in both accounts as K404 000.
  - C Sales K105 000 to J Kaputula entered in M Kaputula's account.
  - D Cheque payment of K134 000 for motor expenses entered as K431 000 in both accounts.
- 14 M Mulonga sold goods to W Jatila on credit for K860 000 but sent an invoice to Jatila for K680 000. Which document did Mulonga send to Jatila to correct the mistake?
- A Statement of Account
  - B Advice Note
  - C Credit Note
  - D Debit Note
- 15 When the final accounts are prepared, the Bad Debts Account is closed by a transfer to the ...
- A Balance Sheet.
  - B Profit and Loss Account.
  - C Trading Accounts.
  - D Provision for doubtful debts.
- 16 Find the cost of goods sold given that:
- |                  |            |
|------------------|------------|
| Sales            | K8 200 000 |
| Opening stock    | K1 300 000 |
| Closing stock    | K 900 000  |
| Purchases        | K6 400 000 |
| Carriage inwards | K 200 000  |
- A K6 800 000
  - B K6 200 000
  - C K7 000 000
  - D K7 900 000
- 17 A machine was purchased for K5 500 000. Its life time is estimated to be 5 years after which it will have a scrap value of K500 000. The annual depreciation under straight line method will be ...
- A K1 100 000.
  - B K1 000 000.
  - C K1 200 000.
  - D K1 300 000.

- 18 An electricity accrual of K450 000 is treated as a prepayment when preparing a trader's profit and loss account. What effect does this have on the trader's net profit? It is ...
- A overstated by K900 000.
  - B understated by K900 000.
  - C overstated by K450 000.
  - D understated by K450 000.
- 19 A provision for doubtful debts is created ...
- A when debtors become bankrupt.
  - B when debtors cease to be in business.
  - C to provide for possible bad debts.
  - D to write off bad debts.
- 20 Which of these errors would be disclosed by the trial balance?
- A Cheque of K95 000 from C Bwalya entered in C Bwalya's account as K59 000.
  - B Selling expenses had been debited to Advertising Account.
  - C Credit sales of K300 000 entered in both accounts effected as K30 000.
  - D A purchase of K250 000 was omitted entirely from the books.
- 21 A cheque paid by someone but not yet passed through the banking system is ...
- A a Standing order
  - B a Dishonoured cheque.
  - C a Credit transfer.
  - D an Unpresented cheque.
- 22 Subscriptions prepaid in the previous year will in the income and expenditure account be ...
- A added to new subscriptions.
  - B subtracted from the new subscriptions.
  - C included in the expenditure.
  - D left out.
- 23 If it is required to maintain fixed capitals, then the partner's share of profit must be ...
- A debited to capital accounts.
  - B credited to capital accounts.
  - C debited to partner's current accounts.
  - D credited to partner's current accounts.
- 24 The issued capital of a company is ...
- A always the same as the authorized capital.
  - B the same as preference share capital.
  - C equal to the reserves of the company.
  - D the same as called-up capital.

- 25 The recommended method of preparing the departmental account is to ...
- A allocate expenses in proportion to sales.
  - B charge against each department its controllable costs.
  - C allocate expenses in proportion to purchases.
  - D charge against each department its uncontrollable costs.
- 26 An article which costs K500 000 was sold at a profit of 5 per cent. The selling price of this article was?
- A K475 000
  - B K525 000
  - C K500 000
  - D K425 000
- 27 A company makes a provision for bad debts of 5 per cent on debtors. On 1<sup>st</sup> January 2010, the balance standing in the provision for bad and doubtful debts is K67 200. On 31<sup>st</sup> December 2010, debtors amounted to K1 500 000. The provision for bad debts at 31<sup>st</sup> December 2010 was ...
- A increased by K6 200.
  - B increased by K7 800.
  - C reduced by K7 800.
  - D increased by K6 400.
- 28 When preparing control accounts, where is the total of discounts received entered?
- A On the credit side in Purchases Ledger Control account.
  - B On the debit side in the Purchases Ledger Control account.
  - C On the credit side in the Sales Ledger Control account.
  - D On the debit side in the Sales Ledger Control account.
- 29 Receipts and payments account show ...
- A the actual cash receipts and payments made during the period.
  - B what the receipts and payment should have been during the period.
  - C the accumulated fund.
  - D the profit and loss for the period.
- 30 Single entry records are kept by ...
- A all traders.
  - B traders who do not keep double entry records.
  - C Partnerships.
  - D Companies.



- 31 A manufacturing business extracts the following information from its books.

Direct materials	K28 000 000
Direct labour	K22 000 000
Indirect expenses	K8 000 000

What is the amount of prime cost?

- A K50 000 000
  - B K36 000 000
  - C K42 000 000
  - D K58 000 000
- 32 The business Cash Book, bank column had a debit balance of K1 973 000 on 31<sup>st</sup> October 2010. On comparison with the bank statement, it revealed that;
- (i) Issued cheques K942 000 had not been presented at the bank.
  - (ii) Banked cheques K1 519 000 had not been cleared by the bank.
  - (iii) The bank had received a credit transfer from a foreign debtor K500 000.
- What was the Bank Statement balance?
- A K3 415 000 credit balance.
  - B K3 415 000 debit balance.
  - C K1 896 000 credit balance.
  - D K1 896 000 debit balance.
- 33 Nyamele received a cheque from a debtor which was later returned marked "RD" for lack of funds. How was this recorded in the control account?
- A It was credited in the Sales Ledger Control account.
  - B It was debited in the Sales Ledger Control account.
  - C It was credited in the Purchases Ledger Control account.
  - D It was debited in their Purchases Ledger Control account.
- 34 At the beginning of the year, B Chalwe had K10 000 000 capital. During the year she got goods and cash from the business for personal use all valued at K4 550 000 and put into the business K2 000 000 from her external resources. At the end of the year her closing capital was K14 000 000. What was her profit or loss for the year?
- A K8 050 000 profit.
  - B K 6 550 000 profit.
  - C K8 050 000 loss.
  - D K650 000 loss.

- 35 Banda, Musonda and Mooba are in partnership business sharing profits and losses in the ratio of 1:2:3. The net profit for the year ended 2009 was K7 200 000. Musonda received a salary of K600 000 per year. How much money would each partner receive?
- A Banda K1 200 000; Musonda K2 400 000; Mooba K3 600 000
  - B Banda K1 100 000; Musonda K2 200 000; Mooba K3 000 000
  - C Banda K1 200 000; Musonda K3 000 000; Mooba K3 600 00
  - D Banda K1 100 000; Musonda K2 800 000; Mooba K3 300 000
- 36 Which of the following is capital income?
- A Cash received from the sale of office equipment.
  - B Cheque received from the sale of stock.
  - C Discounts received from trade creditors.
  - D Rent received from tenants.
- 37 A manufacturing account includes the following:
- | Raw materials | K         |
|---------------|-----------|
| Opening stock | 300 000   |
| Purchases     | 9 100 000 |
| Closing stock | 500 000   |
- What is the cost of raw materials?
- A K8 300 000
  - B K8 900 000
  - C K9 100 000
  - D K9 300 000
- 38 What is the purpose of a Partnership Appropriation Account?
- A To calculate partners' salaries.
  - B To record partners' drawings.
  - C To show the distribution of profit between partners.
  - D To show the movement on partners' capital accounts.
- 39 What is a limited company's Authorised Capital?
- A Called up share capital.
  - B Capital the company is allowed to raise.
  - C Issued capital plus loan capital.
  - D Paid up share capital.
- 40 What do the letters VAT stand for?
- A Vehicle Added Tax.
  - B Value Added Taxi
  - C Value Added Tax
  - D Value Added Time