

**EXAMINATIONS COUNCIL OF ZAMBIA**

Examination for the School Certificate Ordinary Level

**Principles of Accounts 7110/1**

**PAPER 1 Multiple Choice**

**Tuesday**

**6 OCTOBER 2016**

Additional materials:

Multiple Choice answer sheet

**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.

Calculators may be used.

**Cell phones are not allowed in the examination room.**

- 1 An alternative name for a Sales Journal is ...
- A Sales Invoice Book.
  - B Sales Day Book.
  - C Daily Sales Book.
  - D Sales Ledger Book.

- 2 The following information is taken from a sole trader's accounts

**K**

Opening Capital	1 500
Closing Capital	1 150
Drawings	200

What is the trader's profit/loss?

- A Net profit of K250
  - B Net loss of K350
  - C Net loss of K150
  - D Net profit of K150
- 3 Which concept emphasises on the adoption and use of same accounting policies from year to year?
- A Prudence Concept
  - B Consistency Concept
  - C Accruals Concept.
  - D Going concern Concept
- 4 Machinery, typewriter and cash owned by a business are collectively called ...
- A Fixed assets.
  - B Assets.
  - C Long Term Liabilities.
  - D Current Liabilities.
- 5 A Cash Transaction means that ...
- A cash is paid when goods are bought.
  - B cash is received when goods are sold.
  - C cash or cheque is paid or received when goods are bought or sold.
  - D cheque is paid or received when goods are bought or sold.
- 6 If Mututwa buys goods for resale from Mabote on credit, the correct double entry in Mututwa's ledger would be ...
- A debit Purchases Account and credit Mututwa's Account.
  - B credit Purchases Account and debit Mututwa's Account.
  - C debit Purchases Account and credit Mabote's Account.
  - D credit Purchases Account and debit Mabote's Account.

- 7** In business books, the ledger account of Kasamu, a customer, shows a debit balance of K4 500. What does this mean?
- A** Kasamu is a bad debtor
  - B** Kasamu owes the business K4 500.
  - C** The business has paid Kasamu K4 500.
  - D** The business owes Kasamu K4 500.
- 8** Which of the following is the most appropriate title?
- A** Trial balance for the year ended 31 December 2010.
  - B** Trial balance for the month ended 31 December 2010.
  - C** Trial balance ending the month of 31 December 2010.
  - D** Trial balance as at 31 December 2010.
- 9** If 5 tables have been sold at K120 each with an agreed trade discount of 5% and a cash discount of 2%, what is the total amount payable if VAT of 20% is included?
- A** K720
  - B** K558.60
  - C** K666
  - D** K600
- 10** What is the best way of ascertaining closing stock of a business?
- A** Opening stock + purchases – cost of stock sold.
  - B** Do the physical stock taking.
  - C** Opening stock + purchases ÷ 2.
  - D** Subtract total purchases from total sales for the year.
- 11** A motor van costing K100 000 is expected to have a working life of five years and a scrap value of K10 000. Using the straight line method of depreciation, the annual charge of depreciation will be ...
- A** K20 000.
  - B** K10 000.
  - C** K18 000.
  - D** K22 000.
- 12** Ben and Bill are in partnership sharing profits and losses in the ratio 2:3. Bill receives a salary of K12 000 per year. The firm's net profit is K52 000. What are the amounts to be credited to the partner's current accounts?
- A** Ben K16 000 : Bill K24 000.
  - B** Ben K26 000 : Bill K26 000.
  - C** Ben K20 800 : Bill K31 200.
  - D** Ben K16 000 : Bill K36 000.
- 13** P.K Mandona was debited for the goods sold to P.K Mandola. Which error was committed?
- A** Error of Origin
  - B** Error of Compensation
  - C** Error of Commission
  - D** Error of Principle

- 14** A business with two departments had:  
Sales: Hardware K20 000 and Electrical K10 000.  
Expenses: K6 000.  
How much expenses would you charge to Hardware Department, if expenses are charged on the basis of sales?
- A** K6 000
  - B** K4 000
  - C** K10 000
  - D** K2 000
- 15** The following information is available for Kateule Enterprises:  
Bank balance shown in the bank statement, K650;  
Amounts paid in but not yet credited, K150;  
Credit transfer received by the bank but not yet entered in the cash book, K100;  
The cash book balance should be ...
- A** K750.
  - B** K450.
  - C** K850.
  - D** K700.
- 16** On which side of the Control Account should dishonoured cheques appear?
- A** Debit side of the Debtors' Ledger Control Account.
  - B** Debit side of the Creditors' Ledger Control Account.
  - C** Credit side of the Debtors' Ledger Control Account.
  - D** Credit side of the Creditors' Ledger Control Account.
- 17** Subscriptions in advance at the end of the year should be ...
- A** credited to the Income and Expenditure Account.
  - B** debited to the Income and Expenditure Account.
  - C** credited to the Receipts and Payments Account.
  - D** included as a Current Asset in the Balance Sheet.
- 18** Owner's equity refers to ...
- A** the equality of owners.
  - B** net profit or net loss.
  - C** owner's capital.
  - D** owner's assets.
- 19** Which of the following is **not** a Revenue Account?
- A** Wages Account
  - B** Commission Received Account
  - C** Sales Account
  - D** Rent Received Account

- 20 The books of a business show the following:

	K
Sales	90 000
Cost of Sales	50 000
Expenses	10 000

What is the Net Profit as a Percentage of Sales?

- A 20.0%  
 B 33.3%  
 C 44.4%  
 D 66.6%
- 21 The Balance Sheet may be defined as a list of ...  
 A assets, liabilities and capital of a business at any given time.  
 B purchased assets and liabilities of a business at any given time.  
 C goods and cash of a business at any given time.  
 D liabilities and capital of a business at any given time.
- 22 The Double Entry for Gross Loss is ...  
 A debit Trading Account and credit Profit and Loss Account.  
 B debit Capital Account and credit Trading Account.  
 C debit Profit and Loss Account and credit Trading Account.  
 D debit Trading Account and credit Capital Account.
- 23 If Opening Stock is K6 000; closing stock K10 000; Sales K40 000; Gross Profit K8 000, then purchases is ...  
 A K48 000.  
 B K56 000.  
 C K36 000.  
 D K45 000.
- 24 Which type of accounts have credit balances in the Ledger?  
 A Liabilities, Provisions and Gains Accounts.  
 B Loans and Provisions Accounts only.  
 C Bad debts, Losses and Assets Accounts.  
 D Profits, Provisions and Nominal Accounts.
- 25 Tabo PLC has advertised its Ordinary Shares of 10 000 at K650 each. What document does the company use for this purpose?  
 A The Memorandum of Association  
 B The Certificate of Incorporation  
 C The Prospectus  
 D The Articles of Associations

- 26** Which of the following errors would be detected by the Trial Balance?
- A** Error of Original Entry.
  - B** Error of Principle.
  - C** Error of Complete Reversal.
  - D** A Single Entry of a transaction.
- 27** Which book of prime entry is part of the double entry system?
- A** Cash Book
  - B** Returns Outwards Book
  - C** Purchases Day Book
  - D** Sales Day Book
- 28** Cost of Goods Sold is equal to ...
- A** Sales less Purchases.
  - B** Purchases less Closing Stock, less Purchases Returns.
  - C** Purchases less Returns Outwards.
  - D** Opening stock plus Purchases, less Returns Outwards, less Closing stock.
- 29** The cost of goods sold for the business was K80 000 and the gross loss was K10 000. What was the figure for sales?
- A** K90 000
  - B** K70 000
  - C** K60 000
  - D** K72 000
- 30** What is the best method of calculating depreciation for loose tools and livestock at a farm?
- A** Diminishing Balance Method
  - B** Revaluation Method
  - C** Straight Line Method
  - D** Reducing Balance Method
- 31** What is the effect on the assets and liabilities when a firm pays its creditors by cheque?
- A** Reduce Bank; Increase Creditors.
  - B** Increase Bank; Reduce Creditors.
  - C** Reduce Bank; Reduce Creditors.
  - D** Increase Bank; Increase Creditors.
- 32** A wholesaler sold 100 cases Chicco biscuits at K20 a case; 50 cases Vanilla biscuits at K40 a case, both subject to 20% trade discount. What was the invoice price?
- A** K4 000
  - B** K4 800
  - C** K800
  - D** K3 200

- 33 Carriage inwards usually increases the ... of the business.
- A profitability
  - B cost of goods
  - C gross profit
  - D net profit
- 34 An example of Real Account is ...
- A Drawings Account.
  - B Makaya Account.
  - C Cash Account.
  - D Electricity Account.
- 35 The Mark-Up is the gross profit's relationship with the ...
- A Capital.
  - B Turnover.
  - C Cost of goods.
  - D Average stock.
- 36 In the books of Tambulukani the Discount Received of K400 was posted to the Discount Allowed account. What would be the entry in the Suspense Account to correct the error?
- A Credit suspense with K400
  - B Debit suspense with K400
  - C Credit suspense with K800
  - D Debit suspense with K800
- 37 A Sole Proprietorship business is best described as ...
- A a manufacturing business.
  - B a business that buys and sells goods at a profit.
  - C a one man business.
  - D a non-profit making organisation.
- 38 The total amount of Credit Purchases is recorded on the ...
- A debit side of the Creditors Ledger Control Account.
  - B credit side of the Creditors Ledger Control Account.
  - C debit side of the Debtors Ledger Control Account.
  - D credit side of the Debtors Ledger Control Account.

- 39** In a Limited Company which of the following are shown in the Appropriation Account?
- (i)** Directors remuneration.
  - (ii)** Proposed dividends
  - (iii)** Debenture interest
  - (iv)** Transfer to reserves
- A** (i) and (ii)  
**B** (iii) and (iv)  
**C** (ii) and (iv)  
**D** (i) and (iii)
- 40** Which subsidiary book records the correction of errors?
- A** Petty Cash Book  
**B** Sales Journal  
**C** Cash Book  
**D** General Journal