

## **Preamble for Principles of Accounts (7110)**

The Examinations Council of Zambia has made adjustments to the assessment of **Principles of Accounts** at Grade 12 level so as to be in line with the revised **Principles of Accounts** Senior Secondary School Syllabus of 2013 developed by Curriculum Development Centre (CDC) of the Ministry of General Education.

### **Purpose**

The purpose of Principles of Accounts assessment is to measure candidates' essential knowledge and productive skills of financial transactions and management necessary for making reports and economic decisions in the business sector and at personal level. It is also used for certification and placement.

### **Assessment Objectives**

#### **Knowledge with Understanding**

1. Appreciate the importance of the Principles of Accounts and accounting concepts.
2. Identify the books of prime entry and their correct source documents.
3. Identify the types of ledger accounts.
4. Define the trial balance.
5. Appreciate career prospects in the accounting profession.
6. Describe the ethics in accountancy and effects of non-adherence to ethics.

#### **Application of Principles of Accounts and Accounting Concepts**

1. Enter business transactions in the books of prime entry and the ledger.
2. Prepare the trial balance.
3. Prepare the final accounts and balance sheet for different business units.
4. Prepare the bank reconciliation statement.
5. Adjustments

#### **Interpretation of Final Accounts**

1. Find the various accounting ratios and percentages from the final accounts.
2. Use the accounting ratios and percentages to make decisions.

### **Test Design**

The Grade 12 school certificate and GCE Principles of Accounts Examination will consist of two papers, Paper 1 (7110/1) and Paper 1 (7110/2).

<b>Paper name</b>	<b>Paper code</b>	<b>Duration</b>	<b>Mark allocation</b>	<b>Weight</b>
Principles of Accounts Paper 1	7110/1	1 hour	100	40%
Principles of Accounts Paper 2	7110/2	2 hours	100	60%
<b>Total</b>			<b>200</b>	<b>100%</b>

# EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

## Principles of Accounts

7110/1

### Paper 1

**Additional Information:**

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 prime function of Accounting is to ...
  - A** record economic data.
  - B** provide information as a basis for action.
  - C** classify and record business transactions.
  - D** summarise accounting data.
- 2** What is the meaning of the prudence concept?
  - A** Accounts should provide for all probable losses and should not anticipate profit.
  - B** Accounts should only include items with a monetary value.
  - C** Accounts should provide for all accruals and prepayments.
  - D** Accounts should use the same methods from year to year.
- 3** Pendula Inonge bought goods from Star shop paying for them after 30 days by cheque. What type of transaction is this?
  - A** Cash
  - B** Barter
  - C** Bank
  - D** Credit
- 4** A business financial transaction is the ...
  - A** action by a business which involves the transfer of money or something of value.
  - B** amount of money used in the business.
  - C** recording of money received or paid by the business.
  - D** recording of the true status of the business.
- 5** Bunda returns goods to Malisa. Which document will Malisa send to Bunda?
  - A** Debit note
  - B** Invoice
  - C** Credit note
  - D** Receipt
- 6** Which one of the following is **not** a book of prime entry?
  - A** Purchases book
  - B** Ledger book
  - C** Cash book
  - D** Sales book
- 7** The proprietor paid a creditor Kombweke from his money outside the firm which was treated as additional capital. The entry to record this transaction would be ...
  - A** Dr creditors Cr cash
  - B** Dr capital Cr Kombweke
  - C** Dr Kombweke Cr capital
  - D** Dr capital Cr bank

- 8** Personal accounts are related to ...  
**A** customers and creditors.  
**B** assets and liabilities.  
**C** expenses and incomes.  
**D** capital and drawings.
- 9** The debtor's ledger is the book in which ... are kept.  
**A** suppliers accounts  
**B** real accounts  
**C** customers accounts  
**D** nominal accounts
- 10** The General Ledger is the book ...  
**A** from which the trial balance is extracted.  
**B** in which transactions are first recorded.  
**C** of original entry.  
**D** where errors are first recorded.
- 11** Why does a business prepare a Trial Balance? To ...  
**A** calculate the profit or loss.  
**B** show the financial position.  
**C** check the arithmetical accuracy of the ledger.  
**D** check the cash and bank balances.
- 12** The following balances are available in the books of K Rosa a trader as at 31<sup>st</sup> December, 2015.

	(K)
Sales	8 000
Drawings	2 200
Sales returns	800
Purchases	5 000
Opening stock	1 000
Purchases returns	1 500
Insurance	500

Using the information above prepare the Trial Balance to find the totals.

	Dr	Cr
<b>A</b>	7 300	7 300
<b>B</b>	9 500	9 500
<b>C</b>	13 800	13 800
<b>D</b>	3 000	3 000

- 13** Gross profit can be defined as ...  
**A** excess of Sales over Cost of Goods Sold.  
**B** Sales less Purchases.  
**C** Cost of Goods Sold plus Opening Stock.  
**D** Net Profit less Expenses of the period.

- 14** Calculate the Cost of Goods Sold from the following items:

**(K)**

Closing inventory	7 240
Carriage inwards	570
Purchases	21 360
Opening inventory	5 430

- A** K34 600  
**B** K23 740  
**C** K20 120  
**D** K18 980
- 15** Capital of Siamubi at the beginning of the year was K100 000 and his net profit was K20 000. What is his ending capital?
- A** K80 000  
**B** K75 000  
**C** K120 000  
**D** K100 000
- 16** What is the purpose of preparing the Balance Sheet? To ...
- A** show the financial state of the business.  
**B** check the accuracy of the books.  
**C** give details of the owner's capital.  
**D** measure the performance of the business.
- 17** A provision for bad debts is calculated on year end debtors. If debtors were K11 000, provision for doubtful debts is 5%. What is the current year's provision?
- A** K110  
**B** K120  
**C** K550  
**D** K400
- 18** Which of the following items would cause a Trial Balance to disagree?
- A** Omission of debtor's account  
**B** Over valuation of closing stock  
**C** Failing to make a provision for bad debts  
**D** Under valuation of closing stock
- 19** If a Trial Balance does not balance, which of the following account should be opened? A ...
- A** Control Account.  
**B** Provision Account.  
**C** Liability Account.  
**D** Suspense Account.

- 20** The total of the Sales Day Book for one month is K9 160. It has been entered in the Sales Account as K9 610. The error must be corrected by ...
- A** Debiting Sales Account and crediting the Sales Day Book with K450.
  - B** Debiting the Sales Day book and Crediting Sales Account with K450.
  - C** Debiting Sales Account and Crediting Suspense Account with K450.
  - D** Debiting Suspense Account and Crediting Sales Account with K450.
- 21** Bank Reconciliation Statement is drawn to reconcile ...
- A** Cash Account with Bank Account of the Cash Book.
  - B** Bank Account in the Cash Book with the Bank Statement.
  - C** Cash Book and Ledgers.
  - D** the Bank Statement and the Ledgers.
- 22** Isaac checked his Bank Statement with the Bank Account in his nominal ledger and found the following differences:
- (i)** Some cheques had not been lodged by his suppliers.
  - (ii)** The bank credited a personal lodgment to his business account in error.
  - (iii)** The bank debited fees on his account.
- Which of the differences require an entry in the bank account in the bank's General Ledger?
- A** i
  - B** ii
  - C** iii
  - D** ii and iii
- 23** Which of the following should **not** be recorded in a Sales Ledger Control Account?
- A** Provision for bad debts.
  - B** Credit sales.
  - C** Bad debts written off.
  - D** Interest charged from debtors.
- 24** Mutabakomu, an Accounts Clerk, prepared the Purchases Control Account which was undercasted by K900. How would this error be corrected in the concerned firm's journal?
- A** Dr suspense K900      Cr purchases K900
  - B** Dr purchases K1 800      Cr suspense K1 800
  - C** Dr purchases K900      Cr suspense K900
  - D** Dr creditors K900      Cr purchases K900

- 25** What is the purpose of a Receipts and Payments Account? To ...
- A** calculate profit.
  - B** calculate revenue from income generating activities.
  - C** show the surplus of income over expenditure.
  - D** show the cash transactions for the period.
- 26** The club's Assets and Liabilities as at 1<sup>st</sup> January 2014 were as follows:
- |                                    |        |
|------------------------------------|--------|
| Subscriptions                      | K400   |
| Subscriptions in arrears           | K200   |
| Equipment                          | K3 300 |
| Stock of refreshment               | K600   |
| Owing to suppliers for refreshment | K350   |
- Calculate the Accumulated Fund as at 1<sup>st</sup> January 2014.
- A** K3 350
  - B** K3 750
  - C** K4 150
  - D** K3 650
- 27** Capital receipts can be defined as ...
- A** proceeds from sales.
  - B** income from rented premises.
  - C** proceeds from sales of fixed assets.
  - D** commission received.
- 28** What is an example of capital expenditure?
- A** Payment of an electricity bill.
  - B** Payment of employees' wages.
  - C** Purchase of stock.
  - D** Purchase of a brand name.
- 29** Which one of the following is **not** used as a technique for finding missing information in incomplete records?
- A** Accounting Equation
  - B** Debtors and Creditors Control Accounts
  - C** Trading, Profit and Loss Account
  - D** Cash Book
- 30** Which of the following item is used to calculate purchases for single entry?
- A** Discount received
  - B** Returns inwards
  - C** Discount allowed
  - D** Receipts from debtors



- 31** Where a firm does not keep its books under the double entry system, its profit or loss can be calculated by comparing its ...
- A** opening capital against the closing capital.
  - B** debtors against its creditors.
  - C** cash withdrawals against cash deposits in the bank.
  - D** cash receipts against cash payments.
- 32** If partners do not have any agreement, how should profits or losses be shared?
- A** Equally after interest has been charged on drawings.
  - B** Equally after interest has been allowed on capital.
  - C** In proportion to the amount of time that the partners work.
  - D** In the ratio of the partners individual capitals.
- 33** What does a credit balance on a partner's current account represent to a business?
- A** Current asset
  - B** Current liability
  - C** Long term liability
  - D** Part of the capital
- 34** Which one of the following does **not** appear in a Manufacturing Account?
- A** Depreciation on factory building.
  - B** Manager's salary.
  - C** Depreciation on warehouse fixtures.
  - D** Royalty expense.
- 35** From the following Information, you are required to calculate the figure for the Cost of Raw Materials Consumed (Used):

	<b>K</b>
Purchases of raw materials	800 500
Factory wages	250 000
Closing stock of raw materials	175 000
Closing stock of finished goods	82 000
Factory power	40 000
Opening stock of raw materials	94 000
Opening stock of finished goods	36 000
Carriage on purchases of raw materials	20 000

- A** K719 500
- B** K775 500
- C** K693 500
- D** K739 500

- 36** The excess of Market Value over Cost of Production can be referred to as ...
- A** Manufacturing Excess.
  - B** Manufacturing Loss.
  - C** Manufacturing Profit.
  - D** Manufacturing Deficit.
- 37** Which one of the following is **not** a danger of non-adherence to Ethics in Accounting?
- A** Corruption
  - B** Fraud
  - C** Integrity
  - D** Embezzlement
- 38** When Accountants in the firm adhere to professional code of ethics, this would result in clients developing ... in the firm as decisions would be made in their best interest.
- A** trust
  - B** reliability
  - C** loyalty
  - D** dependence
- 39** Margin is ...
- A** Net Profit Percentage of sales.
  - B** Gross Profit Percentage of Sales.
  - C** Gross Profit Percentage of Cost of Goods Sold
  - D** Gross Profit as a Percentage of Expenses.
- 40** Which ratio can be calculated from the details in a sole trader's Balance Sheet?
- A** Expenses to gross profit
  - B** Net profit to capital
  - C** Net profit to sales
  - D** Rate of stock turnover