

EXAMINATIONS COUNCIL OF ZAMBIA

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

PRINCIPLES OF ACCOUNTS

PAPER 1 Multiple Choice

7110/1

Tuesday

8 OCTOBER 2013

1 hour 15 minutes

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 Which statement is correct?
 - A A liability is always a debit entry.
 - B An expense is always a credit entry.
 - C An asset is always a credit entry.
 - D An expense is always a debit entry.
- 2 Mwemato Co. Ltd decided to change from the straight line method of depreciation to the reducing balance method. Name the accounting concept which the company contravened.
 - A Going Concern Concept
 - B Historic Cost Concept
 - C Prudence Concept
 - D Consistency Concept
- 3 Under which concept is provision for Bad Debts created?
 - A Consistency Concept
 - B Money measurement Concept
 - C Prudence Concept
 - D Historic Concept
- 4 Assets of the business may be financed by a combination of the ...
 - A owner's capital and any capital borrowed.
 - B owner's capital and debtors.
 - C creditors and debtors.
 - D capital borrowed and cash at bank.
- 5 E. M. Jamba has the following assets and liabilities at the beginning of the year:
Premises, K15 000;
Equipment K8 500;
Stock K3 000;
Debtors K2 500;
Bank overdraft K2 000;
Creditors K1 900;
Mortgage on land and buildings K10 000 and
Bank loan K3 500.
What is his capital as at that date?
 - A K29 000
 - B K17 400
 - C K11 600
 - D K46 400

- 6 A. Munyama was a sales agent for Standard Sales Co. Ltd and was receiving 15% commission on monthly sales. In one month he sold goods by cheque worth K15 500 000. Which entry below was correct to record the commission in A. Munyama's books?

Account Debited**Account Credited**

- | | |
|-------------------------------------|----------------------------|
| A Bank Account K2 325 | Sales Account K235 |
| B Sales Account K2 325 | Bank Account K2 325 |
| C Bank Account K2 325 | Commission Received K2 325 |
| D Commission Received K2 325 | Bank Account K2 325 |
- 7 If a friend asked you why a business prepares a Trial Balance, what answer would you give him/her? To ...
- A** calculate the profit or loss of the business for the year.
- B** show the financial position of the business.
- C** check the accuracy of the cash and Bank Accounts records of the business.
- D** check the arithmetic accuracy and completion of the double entry in the ledger accounts of the business.
- 8 Import Duty and Freight Charges are expenses to the business. In which section of the final accounts should they appear? In the ...
- A** Profit and Loss Account.
- B** Trading Account.
- C** Profit and Loss Appropriation Account.
- D** Balance Sheet as Current Liabilities.
- 9 Rent received by the business for sub-letting an office should be ...
- A** credited to the Trading Account.
- B** debited to the Trading Account.
- C** credited to the Profit and Loss Account.
- D** debited to the Profit and Loss Account.
- 10 For a manufacturing Company, depreciation of machinery in the plant should be included in the ...
- A** prime cost section.
- B** trading Account.
- C** factory overheads section.
- D** profit and loss account.
- 11 Profits withheld from distribution are known as ...
- A** appropriation.
- B** disposal.
- C** floats.
- D** reserves.

- 12 M. Muleya runs a small business. He bought goods costing K800 and sold half of them for K950. What was his profit if the expenses were K250?
- A K550.
 - B K300.
 - C K150.
 - D K50.
- 13 In the business of Kawala and Sons who owns a clothing store, which of the following are capital expenditure?
- (i) Shop furniture bought
 - (ii) Wages of assistances
 - (iii) New van bought
 - (iv) Petrol for van
- A I and II
 - B I and III
 - C II and III
 - D II and IV
- 14 Accumulated fund for a non-trading organisation is equal to ...
- A assets plus net profit.
 - B capital plus net profit.
 - C capital minus assets.
 - D assets minus liabilities
- 15 Which of the following documents is used to write up the Petty Cash Book?
- A Receipt
 - B Invoice
 - C Petty Cash Voucher
 - D Cheque
- 16 In a club, the profit and loss account is replaced by ...
- A receipts and payments account.
 - B subscriptions account.
 - C trading, profit and loss account.
 - D income and expenditure account.
- 17 E. Phiri's current assets and liabilities were as follows
- | | |
|------------------|---------|
| Stock | K62 000 |
| Creditors | K35 000 |
| Debtors | K43 000 |
| Bank Overdraft | K25 000 |
| Prepaid expenses | K15 000 |

What is Phiri's working capital ratio?

- A 2:1
- B 1:2
- C 4:1
- D 0:7:1

18 Debtors at start of trading period were K11 500; sales on credit K48 000 and receipts from debtors K45 000 . What was the closing debtors total?

- A K8 500
- B K14 500
- C K83 500
- D K18 500

19 A credit balance on the rent payable account at the time of the balance sheet denotes ...

- A rent paid.
- B rent received.
- C rent accrued.
- D rent collected.

20 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.

21 Mupakile buys goods on credit from Nkandu. The goods are unsuitable and Mupakile returns them to Nkandu.

What is the name of the document which Mupakile sends to Nkandu with the goods?

- A Credit Note
- B Invoice
- C Debit Note
- D Statement of Account

22 In which of the following will cash discount received be first recorded?

- A Cash Book
- B General Journal
- C Ledger
- D Sales Journal

- 23 The outstanding amount of rent to be received may be classified as ...
- A debtors for rent.
 - B creditors for rent.
 - C accrued liability.
 - D prepaid liability.
- 24 An accountant mistakenly treats a capital expenditure item as revenue expenditure. What is the effect of this error?
- A Gross profit is understated.
 - B Net profit is overstated.
 - C Total assets are overstated.
 - D Total assets are understated.
- 25 What is the meaning of the money measurement concept?
- A Accounts are kept on the double entry basis.
 - B Assets are normally shown at cost price.
 - C Only items with monetary value are included in the accounts.
 - D Profits are calculated on the basis of cash received less cash paid.
- 26 Which item would not appear in a sales ledger control account?
- A Discounts allowed.
 - B Interest charged on overdue accounts.
 - C Provision for bad debts.
 - D Sales returns.
- 27 Which item appears in the Appropriation Account of a Limited Company?
- A Debenture Interest paid.
 - B Investment Income received.
 - C Directors salaries.
 - D Dividends paid.
- 28 The average stock of a sole trader is K40. Its rate of stock turn is 5 times a year. Gross profit is 20% on cost. What are the sales for the year?
- A K160
 - B K200
 - C K240
 - D K250
- 29 ... is regarded as the amount available to the business to meet its daily expenses of running the business.
- A Capital employed
 - B Capital owned
 - C Working capital
 - D Net assets

- 30 Goods taken from stock by the owner of the business for his personal use are ...
- A charged to the purchases account.
 - B charged to the sales account.
 - C credited to the capital accounts.
 - D credited to the purchases account.
- 31 Trade discount is **not** shown in the ...
- A Sales Journal.
 - B Purchases Journal.
 - C Sales Returns Journal.
 - D Trading Account.
- 32 A debit balance in capital account indicates that the firm is ...
- A over trading.
 - B depreciating.
 - C insolvent.
 - D investing.
- 33 When a transaction is completely omitted from the books, it is called ...
- A error of commission.
 - B error of omission.
 - C error of principle.
 - D transposition error.

- 34 Joeworld Ltd has the following balance sheet Summary:

Fixed Assets at Book value	K120 000
Net Current Assets	<u>K 30 000</u>
	<u><u>K150 000</u></u>

Financed by capital and reserves K150 000. The fixed assets are valued at K180 000 and the net current assets at K20 000. The business is acquired for K225 000.

What is the payment of goodwill?

- A K25 000
 - B K45 000
 - C K75 000
 - D K105 000
- 35 Interest charged on a partner's drawings account should be ...
- A debited to the profit and loss account.
 - B credited to the profit and loss account.
 - C debited to the appropriation account.
 - D credited to the appropriation account.

- 36 If creditors at 1st January 2010 were K5 000 and at 31st December 2010 creditors were K8 400; then payments to creditors were K64 000 and cash purchases were K10 000. The figure of purchases for 2010 was ...
- A K67 400.
 - B K77 400.
 - C K60 600.
 - D K63 200.
- 37 CARS Public Limited Company had 500 000, 5% Preference Shares at K1.00 each and 1 000 000 ordinary shares at K1.00 each. The company had made a net profit of K800 000 for the year. How much would be paid in total as dividends if directors proposed 20% for ordinary shares?
- A K225 000
 - B K200 000
 - C K25 000
 - D K575 000
- 38 Simasiku supplies goods to Njobvu. In Simasiku's books the account of Njobvu shows a debit balance of K350. Njobvu sends Simasiku a cheque for K75.
- What is the balance on Njobvu's account after this transaction?
- A K275 debit.
 - B K275 credit.
 - C K425 debit.
 - D K425 credit.
- 39 A trader provided the following information:
- | | |
|---------------|--------|
| Sales | K1 200 |
| Cost of sales | 480 |
| Expenses | 430 |
- What was the net profit?
- A K50
 - B K290
 - C K720
 - D K770
- 40 How is gross profit calculated?
- A Sales less expenses.
 - B Sales less purchases.
 - C Sales less sales returns less closing stock.
 - D Sales less sales returns less cost of goods sold.