

**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****Wednesday****3 NOVEMBER 2010****1 hour 15 minutes**

Additional materials:

Multiple Choice answer sheet

Soft clean eraser

Soft pencil (Type B or HB is recommended)

**TIME 1 hour 15 minutes****INSTRUCTIONS TO CANDIDATES**

Write your name, centre number and candidate number on the answer sheet in the spaces provided unless this has already been done for you.

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 Booklet.**

**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 If assets equal to K100 000 000 and liabilities equal to K20 000 000, what is the net worth of the business.
  - A K60 000 000.
  - B K 80 000 000.
  - C K 120 000 000.
  - D K 40 000 000.
- 2 The concept which implies that the affairs of a business are to be treated as being quite separate from non-business activities of its owner(s) is called ...
  - A money measurement concept.
  - B dual aspect concept.
  - C business entity concept.
  - D going concern concept.
- 3 Which one of the following will be shown as an Asset in the Balance Sheet.
  - A Bank overdraft.
  - B Salaries prepaid.
  - C Commission received in advance.
  - D Interest owing.
- 4 The total of the Discounts Allowed column in the Cash Book is posted to the ...
  - A credit of the Discount Allowed Account.
  - B debit of the Discount Allowed Account.
  - C credit of the Discount Received Account.
  - D debt of the Discount Received Account.
- 5 A provision for Bad and Doubtful debts is created ...
  - A to write off bad debts.
  - B when debtors cease to be in business.
  - C when debtors become bankrupt.
  - D to provide for possible bad debts.
- 6 Goods returned to our suppliers will be posted to ...
  - A Debtor's Account.
  - B Carriage Outwards Account.
  - C Returns Inwards Account.
  - D Returns Outwards Account.
- 7 In the Trial Balance, the balance on Provision for Depreciation Accounts is ...
  - A shown as a debt item.
  - B shown as a credit item.
  - C not shown, as it is part of depreciation.
  - D sometimes shown as a credit, sometimes as a debit.

- 8 Which one of the following increases Net Profit of a business?
  - A Sale of a Fixed Asset.
  - B Rent Prepaid.
  - C Discount Allowed.
  - D Bad Debts Recovered.
- 9 The purpose of the Subsidiary Books is to ...
  - A complete the double entry.
  - B provide an early record for business transactions.
  - C find the financial position of a business.
  - D prepare public records.
- 10 When a supplier discovers that he had over supplied a customer, he prepares a ...
  - A credit note.
  - B original invoice.
  - C debt note.
  - D suspense account.
- 11 ... relates to a credit item in the Cash Account of a trader's Cash Book.
  - A Original receipt
  - B Copy receipt
  - C Original deposit slip
  - D Copy invoice
- 12 A computer costs K500 000 excluding V.A.T. If V.A.T. is at the rate of 10 percent, the price including V.A.T. will be ...
  - A K530 000.
  - B K570 000.
  - C K450 000.
  - D K550 000.
- 13 When Trade Discount and Cash Discount are offered, on which amount is the Cash Discount calculated?
  - A List price of goods bought.
  - B Cost price of goods bought.
  - C Net price of goods bought.
  - D Cash price.
- 14 Normally, goods and services are sold above cost price, the difference being ...
  - A loss.
  - B capital.
  - C profit.
  - D turnover.

- 15** Given the following figures: Purchases K6 400 000; Opening stock K1 300 000; Closing stock K900 000; Carriage inwards K200 000; Gross profit K1 200 000; calculate the figure for sales.
- A** K8 200 000.
  - B** K7 000 000.
  - C** K6 800 000.
  - D** K6 200 000.
- 16** List the following in increasing order of liquidity: (i) Bank (ii) Stock (iii) Cash (iv) Debtors
- A** (ii), (iv), (iii), (i)
  - B** (iii), (i), (iv), (ii)
  - C** (iv), (ii), (i), (iii)
  - D** (ii), (iv), (i), (iii)
- 17** A loss incurred on the disposal of plant and machinery should be ...
- A** debited to Plant and Machinery Account.
  - B** debited to Provision for Depreciation Account.
  - C** debited to Profit and Loss Account.
  - D** credited to Profit and Loss Account.
- 18** A machine was purchased on 1<sup>st</sup> January 2008 for K1 250 000. Depreciation is charged at 20 percent per year using the reducing balance method. The financial year-end was 31<sup>st</sup> December. At 31<sup>st</sup> December 2010 the machine will have a written down value of ...
- A** K750 000.
  - B** K512 000.
  - C** K500 000.
  - D** K640 000.
- 19** A debit balance brought down on a Stationery Account means ...
- A** owing for stationery.
  - B** are owed for stationery.
  - C** have lost money on stationery.
  - D** have a stock of stationery unused.
- 20** A reduction in the provision for bad debts ...
- A** increases the profit of a business.
  - B** decreases the profit of a business.
  - C** increases the cash/bank balance.
  - D** decreases the cash/bank balance.

- 21 On 20<sup>th</sup> November, 2009, the Accounts clerk discovered that sales of K250 000 had been posted to R Hatubotu's account in error. The goods had been sold to J. Hamubotu on credit. Upon discovery of this error the journal entry was made as shown below:

**Journal entry**

DR J. Hamubotu      K250 000

CR R. Hatubotu      K250 000

(-----)

Which one is the correct narration for this record?

- A Being sales overcast.
  - B Being error of commission now corrected.
  - C Being suspense accounts now opened.
  - D Being error of omission now corrected.
- 22 A business does not consider depreciation on its fixed assets at year end. What is the effect of this omission?
- A Gross profit is overstated.
  - B Profit is understated.
  - C Resale value of the asset is overstated.
  - D Resale value of the asset is understated.
- 23 A Bank Reconciliation Statement prepared starting with balance as per Bank Statement will show ...
- A un-presented cheques **added** and uncredited deposits subtracted.
  - B uncredited deposits **added** and un-presented cheques subtracted.
  - C bank charges **added** and uncredited cheques subtracted.
  - D credit transfers **added** and bank charges subtracted.
- 24 Which one should be recorded in the Bank Reconciliation Statement?
- A Bank charges.
  - B Direct debts.
  - C Standing orders.
  - D Un-presented cheques.
- 25 When preparing a Control Account, the total of Returns Inwards for the month should be entered on the ...
- A debit side of Purchases Ledger Control Account.
  - B credit side of Purchases Ledger Control Account.
  - C debit side of Sales Ledger Control Account.
  - D credit side of Sales Ledger Control Account.

- 26 The total amount of discounts received entered in the Purchases ledger Control Account is obtained from ...
- A purchases journal.
  - B returns outwards journal.
  - C general journal.
  - D cash book.
- 27 A club has a total membership of 50 and the annual subscription per member is K100 000. At the end of the year, the club's Cash Book shows that a total of K4 000 000 is received. How much is transferred to the Income and Expenditure Account?
- A K4 000 000.
  - B K1 000 000.
  - C K5 000 000.
  - D K6 000 000.
- 28 The consolidated fund balance of a club at a specific date can be found by ...
- A balancing off a receipts and payments account.
  - B preparing a statement of affairs.
  - C preparing an income and expenditure account.
  - D subtracting the surplus for the year from total assets.
- 29 Chalata and Company purchased an industrial sewing machine for the business. What expenditure is this?
- A Fixed expenditure.
  - B Capital Expenditure.
  - C Liabilities.
  - D Fixed Assets.
- 30 Which one of the following calculations can be used to find the net profit figure where full double – entry book keeping records have not been kept?
- A Increase in value of capital **less** drawings.
  - B Increase in value of capital **add** drawings.
  - C This year's net assets, **less** last year's net assets.
  - D Increase in bank balance.
- 31 Incomplete records are best described as records which ...
- A are not kept on a single entry book keeping system.
  - B have been partly destroyed or lost.
  - C show only the cash book.
  - D are not maintained on the double entry system.



- 32** Profits of a partnership amounted to K3 280 000 before the following were taken into account:
- |       |                               |            |
|-------|-------------------------------|------------|
| (i)   | Interest on partner's capital | K180 000   |
| (ii)  | Interest on drawings          | K20 000    |
| (iii) | Salary of one partner         | K1 000 000 |
- How much profit will be available for appropriation to partners in their profit sharing ratio?
- A** K2 080 000.  
**B** K2 100 000.  
**C** K2 120 000.  
**D** K2 440 000.
- 33** In partnership accounts, interest on drawings is ...
- A** added to capital account.  
**B** credited to current account.  
**C** added to profit for appropriation.  
**D** not recorded at all.
- 34** Factory overhead expenses are made up of ...
- A** all direct factory costs.  
**B** prime costs only.  
**C** all indirect factory costs.  
**D** all factory costs.
- 35** Where Capital Accounts of partners are fluctuating, interest on drawings is ...
- A** debited to Capital Accounts of partners.  
**B** debited to Current Accounts of partners.  
**C** credited to Capital Accounts of partners.  
**D** credited to Current Accounts of partners.
- 36** The 'share premium' is the excess of ...
- A** authorised share capital over issued share capital.  
**B** called up capital over paid up capital.  
**C** profits over dividends.  
**D** the issue price of shares over their nominal value.
- 37** Which one of the following is paid whether profit is made or not?
- A** Debenture interest  
**B** Shares  
**C** Dividends  
**D** Reserves

- 38 Chabala K. Company Limited has a share capital of 4 000 5% preference shares of K5 000 each. The company made profit of K2 000 000 for the year ended 31<sup>st</sup> December, 2009. Find total dividends paid to preference shareholders.
- A K20 000 000.
  - B K10 000 000.
  - C K1 000 000.
  - D K370 000.
- 39 Where common expenses are to be allocated to departments which require adjustments for accruals and prepayments, the most appropriate procedure is ...
- A to do the adjustment and the apportionment simultaneously.
  - B to do the apportionment before the adjustment
  - C to do the adjustment before the apportionment.
  - D to start with either the adjustment or the apportionment depending on the circumstances.
- 40 If cost price is K120 000 and selling price is K150 000, then ...
- A margin is 25 per cent.
  - B mark up is 25 per cent.
  - C margin is 33 ½ per cent.
  - D mark up is 20 per cent.