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

   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 partners’ 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:

\[ \text{K} \]

Sales \hspace{1cm} 90 000
Cost of Sales \hspace{1cm} 50 000
Expenses \hspace{1cm} 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 Association
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