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 2 NOVEMBER 2011 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 of the following are not users of accounting information?
   A Investors
   B Tax inspectors
   C Shareholders
   D Carpenters

2 Which accounting concept emphasises the value of what is recorded?
   A Consistency
   B Materiality
   C Accruals
   D Matching

3 The principle which says that a limited liability company has a separate legal status is ...
   A business entity.
   B accruals.
   C money measurement.
   D prudence.

4 The order of liquidity in which current assets should be shown in the balance sheet is as follows ...
   A Stock, debtors, bank, cash.
   B Cash, bank, debtors, stock.
   C Debtors, stock, bank, cash.
   D Stock, debtors, cash, bank.

5 Which of the following statement is not correct?
   A Assets – Liabilities = Capital
   B Liabilities + Capital = Assets
   C Assets – Capital = Liabilities
   D Liabilities + Assets = Capital

6 A sole trader or a partnership would have capital accounts. A non-profit making organisation would instead have ...
   A net assets.
   B an accumulated fund.
   C working capital.
   D capital employed.

7 The number which indicates where the corresponding entry is found is known as ...
   A column number.
   B folio number.
   C batch number.
   D patent number.
8. Every double-entry in the Journal Proper should have a summary and this is called a ...
   A. balance.
   B. detail.
   C. folio.
   D. narration.

9. When goods are taken for use by the proprietor, the posting to the ledger is ...
   A. Dr stock, Cr purchases.
   B. Dr proprietor, Cr sales.
   C. Dr drawings, Cr stock.
   D. Dr drawings, Cr purchases.

10. The principle book of accounts where all transactions are recorded is called ...
    A. an account.
    B. a ledger.
    C. a journal.
    D. a prime book.

11. Which one of the following is a nominal account?
    A. Rent paid
    B. Creditors
    C. Debtors
    D. Assets

12. When trial balance totals agree, it means the ...
    A. book-keeper is inaccurate.
    B. business is making profit.
    C. book-keeper knows double-entry.
    D. double entry in the Ledger Accounts was completed correctly.

13. Which of the following is not recorded on the credit side of the Trial Balance?
    A. Sales Returns
    B. Purchases Returns
    C. Rent Received
    D. Discount Received

14. The total of Sales Returns Journal is posted to the ...
    A. credit side of Sales Returns Account.
    B. credit side of Sales Ledger.
    C. Purchases Ledger.
    D. debit side of Purchases Returns Account.
15 A Debit Note received from a supplier for an undercharge, ...  
A increases the value of goods sold.  
B increases the value for the goods purchased.  
C is credited to the Bank Account.  
D is debited to the Bank Account.

16 To which of these does Leasehold property belong?  
A Fixed assets  
B Current liabilities  
C Current assets  
D Long-term liabilities

17 Calculate gross profit from the following figures:  
Sales K19 500 000; Closing stock – 2 000 000;  
Purchases K8 500 000;  
Carriage outwards K2 300 000;  
Purchases returns K500 000;  
Opening stock K4 200 000  
The gross profit amount is ...  
A K4 800 000.  
B K9 300 000.  
C K5 200 000.  
D K7 000 000.

18 If a provision for depreciation account is in use, then the entries for the year's depreciation would be ...  
A credit profit and loss account; debit provision for depreciation account.  
B debit asset account, credit profit and loss account.  
C credit asset account, debit provision for depreciation account.  
D credit provision for depreciation account, debit profit and loss account.

19 When a fixed asset can no longer be used or depreciated in the business due to its obsolete state, it is generally referred to as having a ...  
A nominal value.  
B scrap value.  
C book value.  
D market value.

20 A debit balance brought down on a Rates Account means we ...  
A are owing by the rates account.  
B have paid rates account in advance.  
C have paid the amount for the rates account.  
D have paid too much for the rates account.
21. The omission of a Rent Receivable owing figure from the Profit and Loss Account will:
   A. increase the net profit for the business.
   B. reduce the net profit for the business.
   C. increase the gross profit for the business.
   D. reduce the gross profit for the business.

22. A debt which was previously written off has finally been paid off by cheque. How will this be treated in the books of accounts?
   A. Credit the bank account, and debit bad debts account.
   B. Credit bad debts recovered accounts and debit bad debts account.
   C. Debit the bank account and credit bad debts recovered account.
   D. Debit bad debts recovered account and credit bank account.

23. A debtor pays K260 000, receiving 5 per cent cash discount. How much did he pay?
   A. K247 000
   B. K13 000
   C. K273 000
   D. K507 000

24. If the purchase of stationery was debited twice in the account, we reverse this by:
   A. debiting stationery account.
   B. crediting stationery account.
   C. crediting suspense account.
   D. debiting suspense account.

25. If the trial balance totals do not agree, the difference must be entered in:
   A. the profit and loss account.
   B. a suspense account.
   C. a nominal account.
   D. the capital account.

26. A Bank Reconciliation Statement is a statement:
   A. sent by the bank when the account is overdrawn.
   B. drawn up by us to verify our cash book balance.
   C. drawn up by the bank to verify the cash book balance.
   D. sent by the bank when we have made an error.

27. Errors corrected using the suspense account are the ones that:
   A. prevent the trial balance from balancing.
   B. are not exposed by the trial balance.
   C. affect the balance sheet.
   D. are omitted in the ledger.
28 In the absence of drawings and additional capital, capital at the end less capital at start is equal to ...  
A net profit.  
B gross profit.  
C net worth.  
D drawings.  

29 The double entry for the interest on drawings in the partnership account is ...  
A credit the interest on drawings account and debit the current accounts for the partnerships.  
B credit the current account of partners and debit the interest on drawings account.  
C debit the profit and loss appropriation account and credit the partners current account.  
D debit the partners current account and credit the profit and loss appropriation account.  

30 The sum of prime cost plus the indirect manufacturing costs is the ...  
A direct cost.  
B production cost.  
C overhead expenses.  
D direct materials.  

31 The cost of manufacturing goods is transferred to ...  
A the profit and loss account.  
B the trading account.  
C the balance sheet.  
D nowhere.  

32 The minimum number of partners in a partnership is ...  
A 7.  
B 2.  
C 20.  
D 5.  

33 A company's authorized capital is ...  
A the amount of share capital it has issued and fully paid for.  
B the total amount of share capital it is authorized to issue.  
C the maximum amount of loan capital and share capital stipulated by the company's articles of association.  
D capital which can be used in emergencies only.
34 The rent expense is best allocated on the basis of ...  
   A sales.  
   B area occupied.  
   C time spent.  
   D purchases.

35 The amount a trader adds to his/her cost price of goods is known as ...  
   A mark-up.  
   B prime cost.  
   C cost of goods sold.  
   D net profit.

36 In which ledger would the debtors control account be kept?  
   A Sales ledger  
   B General ledger  
   C Nominal ledger  
   D Purchases ledger

37 Expenditure which is not spent on increasing value of fixed assets, but on running the business on day-to-day basis is known as ...  
   A capital expenditure.  
   B revenue expenditure.  
   C interest paid.  
   D revenue receipt.

38 The creditors balances at the beginning of the month was K328 000; during the month goods worth K735 000 were purchased and cheques amounting to K800 500 were paid. What was the creditors closing balance?  
   A K1 063 000 credit  
   B K262 500 debit  
   C K1 128 500 debit  
   D K262 500 credit

39 ... is a summary of the cash book for the period.  
   A income and expenditure account  
   B profit and loss account  
   C balance sheet  
   D receipts and payments account

40 A club’s income and expenditure statement is similar to ...  
   A profit and loss account.  
   B appropriation account.  
   C cash book.  
   D balance sheet.