

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

7 OCTOBER 2014

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.

Non programmable calculators may be used.

**Cell phones are not allowed in the examination room.**

- 1** The job opportunity available for a person who has studied accounts is ...
- A** cashier.
  - B** secretary.
  - C** office orderly.
  - D** personnel manager.
- 2** ... is the accounting concept that makes capital be treated as a liability to the business.
- A** Business Entity
  - B** Going Concern
  - C** Objectivity
  - D** Consistence
- 3** If the current assets are arranged in a Balance Sheet in increasing Order of Liquidity, which of the following will be correct? The ...
- A** easiest to turn into cash will come first.
  - B** easiest to turn into cash will come last.
  - C** highest value of money will come last.
  - D** highest value of money will come first.
- 4** The transaction whose double entry is completed within the cash book is called ...
- A** cash transaction.
  - B** contra entry transaction.
  - C** bank transaction.
  - D** double entry transaction.
- 5** The recording of two aspects of a transaction involves ...
- A** double entry.
  - B** accounting equation.
  - C** debit entry.
  - D** credit entry.
- 6** Give an example of a Nominal Account from the following:
- A** Kanyama Kaluba Account.
  - B** Furniture and Fittings Account.
  - C** Wages Account.
  - D** ZESCO Account.
- 7** Show the effect of the transaction in which the owner puts an extra K4 000 cash into the business.
- A** Debit cash and Credit owner
  - B** Debit business and Credit cash
  - C** Debit Bank and Credit Capital
  - D** Debit Cash and Credit Capital

- 8 To check completion of double entry and arithmetical accuracy in the books of accounts a ... is drawn.
- A Balance Sheet
  - B Trial Balance
  - C Profit and Loss Account
  - D Trading Account
- 9 Which book of Prime Entry can a bus ticket be recorded?
- A Purchases Day Book
  - B Sales Day Book
  - C Cash Book
  - D Petty Cash Book
- 10 In which of the following will Cash Discount be first recorded?
- A Cash Book
  - B General Journal
  - C Ledger
  - D Sales Journal
- 11 ... shows the state of affairs of a business at the end of a financial year.
- A The Trading Account
  - B The Profit and Loss Account
  - C The Cash Book
  - D The Balance Sheet
- 12 A trader had opening capital of K85 000 and closing capital of K107 000. She had drawings of K13 000 during the year. What was her net profit?
- A K9 000
  - B K13 000
  - C K22 000
  - D K35 000
- 13 Zuze Enterprise bought a motor van at K20 000. It was estimated to be used in business for 5 years after which it would have a scrap value of K2 000. What was the depreciation value of each year?
- A K3 335.33
  - B K3 666.67
  - C K3 600.00
  - D K2 000.00
- 14 Expenses which a firm has incurred but not yet paid for are called ...
- A prepaid expenses.
  - B administrative expenses.
  - C accrued expenses.
  - D distribution expenses.

- 15 Chasha created a provision for Bad and Doubtful Debts of K400 in 2012. In 2013 she increased the provision to 5% of total debtors. On 31<sup>st</sup> December 2013, debtors were K10 000. How much did Chasha debit to her Profit and Loss Account for the year 2013?
- A K100
  - B K400
  - C K500
  - D K900
- 16 The sale of Machinery costing K10 000 was entered in the Sales Account instead of Machinery Disposal Account. Such an error is an example of ...
- A complete reversal of entries.
  - B error of principle.
  - C error of original entry.
  - D error of commission.
- 17 The Suspense Account was opened for K429.62. Later it was discovered that cash sales of the amount was entered in cash account but no entry was made in the sales account. What would be the double entry to clear off the suspense account?
- |   | <b>Account Debited</b> |         | <b>Account Credited</b> |
|---|------------------------|---------|-------------------------|
| A | Cash                   | K429.62 | Suspense K429.62        |
| B | Suspense               | K429.62 | Sales K429.62           |
| C | Suspense               | K429.62 | Cash K429.62            |
| D | Sales                  | K429.62 | Suspense K429.62        |
- 18 The bank charges on the Bank Statement did not appear in the cash book causing a difference in the balances. What should be the entry to correct the balances.
- A Debit the statement of account
  - B Credit the statement of account
  - C Credit the cash book
  - D Debit the cash book
- 19 Entries in control accounts are made from ...
- A Bank Statement.
  - B Books of Original entry.
  - C Ledger Accounts.
  - D Sales invoices.
- 20 Which of the following items appear under Current Assets of a non-profit making organisation?
- A Transport cost owing
  - B Debtors for subscription
  - C Subscription received in advance
  - D Bar expenses owing

- 21 The purchase of a grinding machine is ...
- A Revenue receipt.
  - B Capital expenditure.
  - C Capital receipt.
  - D Revenue expenditure.
- 22 Incomplete Records are best described as records which ...
- A are destroyed by fire.
  - B are not kept on single entry.
  - C are not kept on double entry system.
  - D show only debit entry.
- 23 A partner's salary of K210 000 would be posted to the ...
- A debit side of profit and loss account.
  - B credit side of capital account.
  - C debit side of his current account.
  - D credit side of his current account.
- 24 A manufacturing business extracted the following information from its books:
- |              |          |
|--------------|----------|
| Raw material | K150 000 |
| Wages        | K144 000 |
| Overheads    | K130 000 |
- What was the cost of production?
- A K150 000
  - B K292 000
  - C K424 000
  - D K194 000
- 25 What is a Limited Company's Authorised Capital?
- A Capital the company is allowed to raise
  - B Issued capital plus loan capital
  - C Paid up share capital
  - D Shares issued
- 26 A business with two departments had:
- |        |                     |            |
|--------|---------------------|------------|
| Sales: | <b>Department A</b> | K2 000 000 |
|        | <b>Department B</b> | K1 000 000 |
- Expenses: K600 000
- How much expenses would you charge to **Department A** if expenses are charged on the basis of sales?
- A K600 000
  - B K400 000
  - C K1 000 000
  - D K200 000

27 Mala and Company had the following data for the year 2012:

Gross Profit	10 000
Net Profit	5 000
Capital	40 000
Drawings	15 000
Loan	45 000

Calculate the company's return on investment

- A 25%
  - B 10%
  - C 37½%
  - D 12½%
- 28 A person often has to pay for Goodwill when admitted as a partner. Why does payment for Goodwill take place? To ...
- A share profit.
  - B purchase a new business.
  - C compensate old partners.
  - D compensate for good reputation.
- 29 Stock Turnover is calculated by:
- A  $\frac{\text{Sales}}{\text{Average Stock}}$
  - B  $\frac{\text{Cost of goods sold}}{\text{Average stock}}$
  - C  $\frac{\text{Sales}}{\text{Opening stock}}$
  - D Sales + Cost of goods sold
- 30 Which item appears in the Appropriation Account of a Limited Company?
- A Debenture interest
  - B Director's salaries
  - C Investment income received
  - D Ordinary share dividends
- 31 Which one of the following is paid whether profit is made or not?
- A Debenture interest
  - B Shares
  - C Dividends
  - D Reserves

- 32 An Accountant mistakenly treats a Capital Expenditure item as revenue. What will be the effect of this error?
- Gross Profit will be understated
  - Net Profit will be overstated
  - Total assets will be overstated
  - Total assets will be understated
- 33 The document for withdrawing money from a current accounts is the ...
- Invoice.
  - Withdrawal slip.
  - Receipt.
  - Cheque.
- 34 Which of the following is **incorrect** for a non profit making organisation?
- Accumulated Fund = Assets + Liabilities
  - Assets – Liabilities = Accumulated Fund
  - Assets = Accumulated Fund + Liabilities
  - Assets – Accumulated Fund = Liabilities
- 35 The accounting equation falls under the ...
- cost concept.
  - accrual concept
  - dual aspect concept
  - consistency concept
- 36 What is the effect of making contra entries in the Sales and Purchases Ledger Control Accounts?
- |   | <b>Debtors</b> | <b>Creditors</b> |
|---|----------------|------------------|
| A | Increase       | Increase         |
| B | Decrease       | Decrease         |
| C | Increase       | Decrease         |
| D | Decrease       | Increase         |
- 37 A Bad Debt written off in the previous year has been recovered. This should be ...
- treated as a profit for the year.
  - written off from the profit and loss account.
  - re-entered in the debtor's account.
  - ignored as it was already written off.
- 38 The number of times the business replenishes its stock is ...
- net profit margin.
  - gross profit margin.
  - acid test.
  - Rate of stock turnover

39 In the General Ledger, the total of the discount received is posted to the ..

- A credit of the discount received account.
- B credit of the discount allowed account.
- C debit of the discount allowed account.
- D debit of the discount received account.

40 Gross profit can be defined as ...

- A Net profit less expenses of the period.
- B Cost of goods sold plus opening stock.
- C Sales less purchases.
- D Excess of sales divided by cost of goods sold.