

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for the School Certificate Ordinary Level

Principles of Accounts 7110/1

PAPER 1 Multiple Choice

Tuesday

6 OCTOBER 2015

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 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

	K
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 partner's 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:

	K
Sales	90 000
Cost of Sales	50 000
Expenses	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 Associations

- 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