

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 $\text{Assets} - \text{Liabilities} = \text{Capital}$
 - B $\text{Liabilities} + \text{Capital} = \text{Assets}$
 - C $\text{Assets} - \text{Capital} = \text{Liabilities}$
 - D $\text{Liabilities} + \text{Assets} = \text{Capital}$
- 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 Leger.
 - D debit side of Purchases Returns Account.

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- 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.

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- 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 no where.
- 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.

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- 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.

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