



EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts

7110/1

Paper 1

Thursday

21 NOVEMBER 2019

Additional Material(s):

Multiple choice answer sheet

Time 1 hour

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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 the instructions on the Answer Sheet very carefully.

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 What name is given to the Accounting Concept that requires the owner of the business to be treated separate from the business?
- A Accrual
 - B Business Entity
 - C Going Concern
 - D Prudence
- 2 The person who maintains books of accounts in a firm is called ...
- A Accounts clerk.
 - B Account Executive.
 - C Office Clerk.
 - D Receptionist.
- 3 The terms business transaction refers to the...
- A exchange of goods for goods.
 - B exchange of goods and services for money's worth.
 - C meeting for business executives.
 - D recording of information in the books of the business.
- 4 ... is **not** an example of a bank transaction.
- A Depositing money
 - B Paying by cheque
 - C Receiving interest from the bank
 - D Selling goods for cash
- 5 ... note is the source document used to write up the Sales Returns Book.
- A Duplicate credit
 - B Duplicate debit
 - C Original credit
 - D Original debit
- 6 Which one of the following is **not** a Book of Original Entry?
- A Purchases Journal
 - B Returns Inwards Journal
 - C Sales Ledger Journal
 - D Sales Journal
- 7 Which **one** of these would be the correct double entry for this transaction? Bought office furniture for cash from Furnishing world.
- | | Account to be debited | Account to be credited |
|---|------------------------------|-------------------------------|
| A | Cash | Office furniture |
| B | Cash | Furnishing World |
| C | Office furniture | Cash |
| D | Office furniture | Furnishing World |

- 8** ...is an example of a real account.
- A Asset
 - B Capital
 - C Liability
 - D Drawings
- 9** The Sales Ledger of the business contains the...
- A Creditors accounts.
 - B Personal accounts of customers.
 - C Personal accounts of suppliers.
 - D Sales account.
- 10** ...Book is both a book of Prime Entry and the Ledger.
- A Cash
 - B Petty cash
 - C Purchases
 - D Sales
- 11** Which one of the following is the reason for preparing a Trial Balance? To...
- A calculate the profit or Loss for the business.
 - B check the cash and bank balances.
 - C show all ledger balances.
 - D show financial position of the business.
- 12** From the list of balances below, you are required to prepare the Trial Balance and show the correct totals.
- | | K | N |
|---------------|-----------|---|
| Creditors | 50 000.00 | |
| Debtors | 85 000.00 | |
| Capital | 65 000.00 | |
| Sales | 70 000.00 | |
| Opening stock | 20 000.00 | |
| Purchases | 80 000.00 | |
- A K 235 000.00
 - B K 205 000.00
 - C K 185 000.00
 - D K 170 000.00
- 13** When preparing final accounts, trade expenses should be...
- A credited to Profit and Loss Account.
 - B credited to the Trading Account.
 - C debited to Profit and Loss Account.
 - D debited to the Trading Account.

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- 14 In which final account do we reflect the warehouse wages?
- A Balance Sheet
 - B Profit and Loss Account
 - C Trading Account
 - D Trial Balance

- 15 Calculate the Cost of Goods Sold from the following figures:

Sales	K 190 000.00
Sales Returns	K 10 000.00
Opening Stock	K 40 000.00
Closing Stock	K 35 000.00
Purchases	K 130 000.00

- A K 45 000.00
 - B K 135 000.00
 - C K 170 000.00
 - D K 180 000.00
- 16 A Provision for Doubtful Debts is credited when ...
- A debtors cease to be in business.
 - B debtors become bankrupt.
 - C providing for possible bad debts
 - D writing off bad debts.
- 17 A firm bought two cars at K40 000.00 each on Credit from Muunga. Depreciation is charged at 20% per annum on the net book value. What will be the net book value of the cars after two years?
- A K 64 000.00
 - B K 51 200.00
 - C K 40 960.00
 - D K 32 768.00
- 18 Error of Principle is an error...
- A made in the cash book.
 - B where an entry has been omitted from the books.
 - C where an entry is made in a wrong class of account but correct side.
 - D which cancels each other.
- 19 Which of the errors would be revealed by the Trial Balance?
- A Cheque received from B. Hanyinda debited to B. Hamooba's account.
 - B Credit Purchases from T. Lubinga completely omitted from the account.
 - C Credit sales to J. Banda entered in J. Bunda's account.
 - D Repairs to van debited to Van account.

- 20** The Trial Balance failed to agree, the debit side had K 188 100.00 while the credit side had K 191 300.00. Find the shortage and indicate the side on which it would appear in the Suspense Account.
- A** K2 300.00 on the debit side
 - B** K3 200.00 on the credit side
 - C** K2 300.00 on the credit side
 - D** K3 200.00 on the debit side
- 21** Bank Reconciliation Statement is...
- A** drawn by the bank to verify the Cash Book balance with the Bank Statement.
 - B** drawn by us to verify the Cash Book balance with the Bank Statement.
 - C** sent by the bank when the account is overdrawn.
 - D** sent by the bank when there is an error.
- 22** The bank charges on the Bank Statement did not appear in the Cash Book causing a difference in the business books. What should be the entry to reconcile the balances?
- A** Credit the Cash Book
 - B** Credit the Statement of Account
 - C** Debit the Cash Book
 - D** Debit the Statement of Account
- 23** Tumelo maintains a Control Account for his Sales Ledger. What is the purpose of this Control Account? To...
- A** calculate the amount owed by suppliers.
 - B** calculate the amount owed to suppliers.
 - C** check the accuracy of the Sales Account.
 - D** check the accuracy of the Sales Ledger.
- 24** In the Sales Ledger Control Account, the bad debts written off should be shown as a...
- A** balance carried down.
 - B** balance brought forward.
 - C** credit balance.
 - D** debit balance.
- 25** Which one of the following item appears under current assets of a Non-Profit Making Organization?
- A** Bar expenses owing
 - B** Debtors for subscription
 - C** Subscriptions received in advance
 - D** Transport cost owing

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- 26 A club had a credit balance of K 146 000.00 as its subscription on 1 January 2017. During the year subscriptions of 1 300 000.00 were received, but K 74 000.00 of this was in advance for the succeeding year. What is the amount transferred to the Income and Expenditure Account?:
- A K 1 372 000.00
 - B K 1 446 000.00
 - C K 1 154 000.00
 - D K 1 080 000.00
- 27 Which of the following is classified as Revenue Expenditure?
- A Buying a van
 - B Painting outside of a new building
 - C Putting extra head light on a van
 - D Repairs to van
- 28 Revenue Expenditure is...
- A the cost of running the business on a day to day basis.
 - B money spent on building fixed assets or adding value to them.
 - C money spent on selling fixed assets of the business.
 - D the extra capital paid in by the proprietor.
- 29 Profitability of a business which maintains single entry records can be found by...
- A calculating capital increase at the end of the year.
 - B calculating the proprietor's investment at the end of the year.
 - C comparing creditors and debtors at the end of the year.
 - D comparing the assets against liabilities at the end of the year.
- 30 Which one of the following item is used in sales calculation for single entry organisations?
- A Cash payment to creditors
 - B Discount allowed
 - C Discount received
 - D Returns outwards
- 31 Net worth is the same as ...
- A Capital.
 - B Gross Profit.
 - C Net Profit.
 - D Net Loss.
- 32 The minimum number of partners in a partnership business is ...
- A 7
 - B 2
 - C 20
 - D 50

- 33 A partnership prepares an Appropriation Account to...
- A share Gross Profit between partners
 - B share Net Profit between partners
 - C show partners' capitals
 - D show partners' drawings
- 34 In Manufacturing Accounts, when market value of goods is lower than the cost of the product, it results in...
- A a manufacturing loss.
 - B a manufacturing profit.
 - C an overvalued prime cost.
 - D an undervalued total overhead expenses.
- 35 Which one of the following is a direct cost?
- A Depreciation
 - B Insurance
 - C Raw materials
 - D Rent
- 36 Given the following: Purchases of raw materials K 400 000.00, Factory wages K 110 000.00, Closing stock of raw materials K 40 000.00, Opening stock of raw materials, K 50 000.00 and factory power K 30 000.00. Calculate the figure for Cost of Production.
- A K 510 000.00
 - B K 470 000.00
 - C K 520 000.00
 - D K 550 000.00
- 37 Which one of the following is **not** a danger to non-adherence to ethics in Accountancy?
- A Corruption
 - B Embezzlement
 - C Fraud
 - D Integrity
- 38 Which one of the following is **not** an ethical conduct of an Accountant?
- A Accountability
 - B Objectivity
 - C Integrity
 - D Smartness

39 The ratio which assesses the ability of a business to pay its financial obligations is known as...

- A** Acid test ratio.
- B** Current ratio.
- C** Gross profit .
- D** Net profit.

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40 The following formula: $\frac{\text{Opening Stock} + \text{Closing Stock}}{2}$ is used to calculate...

- A** Average Stock.
- B** Cost of sales.
- C** Stock taking.
- D** Turnover.