

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for General Certificate of Education Ordinary Level

Principles of Accounts 7110/1**Paper 1****Wednesday****13 JULY 2016**

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 opportunities available for a person who studied accounts are ...
- A Cashier, Accountant, Office Orderly.
 - B Mechanic, Financial Controller, Bank Teller.
 - C Accounts Clerk, Cashier, Chief Accountant.
 - D Stock Broker, Debt Collector, Financial Manager.
- 2 In accounting, profit is normally regarded as being earned at the time when the goods or services are passed to the customer and incurs liability for them. The accounting concept representing this statement is the ...
- A Historical Concept.
 - B Going concern Concept.
 - C Realisation Concept.
 - D Money Measurement Concept.
- 3 Freehold land does not normally require provision for depreciation under the Standard Accounting Practice because it ...
- A is a natural resource.
 - B has unlimited useful life.
 - C easily becomes obsolete.
 - D is a special fixed asset.
- 4 Identify the incorrect statement.
- A $\text{Assets} - \text{Liabilities} = \text{Capital}$
 - B $\text{Capital} - \text{Liabilities} = \text{Assets}$
 - C $\text{Capital} + \text{Liabilities} = \text{Assets}$
 - D $\text{Assets} - \text{Capital} = \text{Liabilities}$
- 5 Goods bought and paid for after thirty days by cheque is an example of a ... transaction.
- A credit
 - B barter
 - C cash
 - D bank
- 6 Which statement represents the correct double entry?
- | | Account to debit | Account to credit |
|---|------------------|-------------------|
| A | Sales | Debtors |
| B | Bank | Bank |
| C | Vehicle | Bank |
| D | Creditors | Purchases |

- 7** Personal Accounts of suppliers are found in the ...
- A** Nominal Ledger.
 - B** Purchases Ledger.
 - C** General Ledger.
 - D** Sales Ledger.
- 8** In the General Ledger, the total of Discount Received is posted to the ...
- A** credit side of the Discount Received Account.
 - B** credit side of the Discount Allowed Account.
 - C** debit side of the Discount Allowed Account.
 - D** debit side of the Discount Received Account.
- 9** Why does a business prepare a Trial Balance? To show ...
- A** all ledger balances.
 - B** the profit and loss.
 - C** the financial position.
 - D** the cash and bank balances.
- 10** Given a purchases invoice showing ten items at K100 each, less 10% trade discount and cash discount of 5%. What will be the value of the cheque to settle this debt?
- A** K455
 - B** K855
 - C** K100
 - D** K900
- 11** What is the purpose of preparing the Balance Sheet? To ...
- A** check the accuracy of the books.
 - B** give details of the owner's capital.
 - C** increase the performance of the business.
 - D** show the financial state of the business.
- 12** For which category of Fixed Assets is the Revaluation Method of depreciation most appropriate?
- A** Office equipment
 - B** Motor vehicles
 - C** Loose tools
 - D** Plant and machinery
- 13** Which of these would appear as a Long Term Liability in the Balance Sheet?
- A** Rent receivable due
 - B** Wages due
 - C** Insurance prepaid
 - D** Mortgage payable

- 14** In which section of the Final Accounts is the reduction in the Provision for Bad Debts recorded?
- A** Profit and Loss Account
 - B** Trading Account
 - C** Balance Sheet
 - D** Trial Balance
- 15** An error which offends the basic rules of Book-Keeping and Accounting is referred to as ...
- A** a Compensating Error.
 - B** an Error of Commission.
 - C** an Original Error.
 - D** an Error of Principle.
- 16** The owner withdrew goods for personal use. Drawings were debited but the credit entry was not passed. The entry to correct the error would be ...
- A** credit Purchases Account.
 - B** credit Stock Account.
 - C** debit Purchases Account.
 - D** credit Suspense Account.
- 17** Which statement is sent by the bank to its customers to verify the balance at bank at the end of the month?
- A** A Statement of Account
 - B** Cash Statement
 - C** Bank Statement
 - D** Bank Reconciliation Statement
- 18** Which item will not appear in the Sales Ledger Control Account?
- A** Discount Allowed
 - B** Interest charged on overdue accounts
 - C** Provision for Doubtful Debts
 - D** Sales Returns
- 19** The total amount of Discount Received entered in the Purchases Ledger Control Account is obtained from the ...
- A** Purchases Day Book.
 - B** Purchases Ledger.
 - C** Cash Book.
 - D** Journal.
- 20** In the Subscriptions Account, a credit balance at the year end is ...
- A** a long term loan to life members.
 - B** subscription received in advance.
 - C** subscription due from life members.
 - D** revenue for the current year.

- 21 The Receipts and Payments Account is one ...
- A which is accompanied by a Balance Sheet.
 - B in which the profit is calculated.
 - C in which the opening and closing cash balances are shown.
 - D in which the surplus of income over expenditure is calculated.
- 22 The amount realised from sale of old furniture is ...
- A Capital Receipts.
 - B Revenue Expenditure.
 - C Capital Expenditure.
 - D Revenue Receipts.
- 23 Single entry records are kept by ...
- A all the traders.
 - B partnerships.
 - C companies.
 - D sole traders.
- 24 The best method of calculating profit if double entry is not maintained is ...
- A decrease in net worth method.
 - B increase in net worth method.
 - C balance Sheet method.
 - D profit and Loss Account method.
- 25 Where the Capital Accounts for Partners remain fixed, their Share of Profit is ...
- A debited to their Capital Accounts.
 - B credited to their Capital Accounts.
 - C debited to their Current Accounts.
 - D credited to their Current Accounts.
- 26 Goodwill is a benefit recorded under ...
- A Intangible Assets.
 - B Liability Assets.
 - C Current Assets.
 - D Fixed Assets.
- 27 Prime Cost consists of ...
- A Direct Labour + Direct Expenses + Indirect Expenses.
 - B Direct Materials + Direct Labour + Indirect Expenses.
 - C Direct Labour + Direct Materials + Work in Progress.
 - D Direct Materials + Direct Labour + Direct Expenses.

- 28 Which of the following are examples of stocks in the Manufacturing Account?
- (i) Work in Progress
 - (ii) Raw Materials
 - (iii) Finished Goods
 - (iv) Semi Finished Goods
 - (v) Royalty Stock
- A (i), (iv), (ii)
B (ii), (v), (iv)
C (iii), (i), (v)
D (i), (ii), (iii)
- 29 Profits withheld from distribution are known as ...
- A Provisions.
B Reserves.
C Dividends.
D Shares.
- 30 Preference Shareholders ...
- A have voting rights.
B have fixed rate of dividend.
C are directors of the company.
D do not attend annual general meetings.
- 31 The recommended method of Departmental Accounts is to ...
- A allocate expenses in proportion to sales returns.
B charge against each department its controllable costs.
C allocate expenses in proportion to purchases.
D charge against each department its uncontrollable costs.
- 32 If the firm's Current Assets are inadequate to meet its Current Liabilities, the Current Ratio will ...
- A remain the same.
B increase.
C decrease.
D be insufficient.
- 33 The following data relates to a business of Chikwanda:
- | | | | |
|-------------------|------------|----------|------------|
| Ordinary Shares | 1 Jan 2014 | K450 000 | Fully paid |
| Preference Shares | 1 Jan 2014 | K300 000 | Fully paid |
| Net Profit | | K229 500 | |
- Calculate the Return on the Capital Employed?
- A 6.8%
B 4.2%
C 3.3%
D 2.7%

- 34** The Order of Permanence in which the following Fixed Assets should be shown in the Balance Sheet is ...
- A** office equipment, fixtures and fittings, buildings, land.
 - B** land, buildings, fixtures and fittings, office equipment.
 - C** buildings, office equipment, land, fixtures and fittings.
 - D** office equipment, land, fixtures and fittings, buildings.
- 35** An asset costing K10 000 had a book value of K3 000. What was the depreciation on the asset?
- A** K3 000
 - B** K9 000
 - C** K13 000
 - D** K7 000
- 36** If a firm rents office space at K60 000 per year, at the end of which K65 000 had been paid, the amount appearing as rent in the Profit and Loss Account would be:
- A** K60 000
 - B** K65 000
 - C** K5 000
 - D** K55 000
- 37** The following information relates to a business of Mukuka.
- | | | |
|---------|-------------|--------|
| Debtors | 1 Jan 2014 | K5 000 |
| Debtors | 31 Dec 2014 | K4 557 |
- Provision for Doubtful Debts as at 31 December 2014 was K350. What was the figure for the Provision for Cash Discounts on Debtors?
- A** K443
 - B** K93
 - C** K4 650
 - D** K350
- 38** A statement which is prepared after matching Cash Book and Bank Statement entries is?
- A** Bank Account Statement
 - B** Cash Book Statement
 - C** Bank Statement
 - D** Bank Reconciliation Statement
- 39** Which of the following item does not appear in the Trial Balance?
- A** Sales
 - B** Closing stock
 - C** Dividends
 - D** Opening stock

40 A book cost K500 and is sold for K625. Calculate the Mark-Up.

- A** 25%
- B** 20%
- C** $33\frac{1}{2}\%$
- D** 40%