

9900422



# EXAMINATIONS COUNCIL OF ZAMBIA



Examination for General Certificate of Education Ordinary Level

## Principles of Accounts

7110/1

Paper 1

Friday

2 AUGUST 2024

Additional Material(s):

Multiple choice Answer sheet

Soft pencil (type B or HB is recommended)

Soft eraser

Time: 1 hour

Marks: 40

### Instructions to Candidates

- 1 Ensure that the **school/centre name** and **subject paper, subject code, paper number, centre code, your examination number** and the **year** are correctly printed and shaded on the **Answer Sheet**.
- 2 There are **forty** questions in this paper. Answer **all** questions.
- 3 For each question there are **four** possible answers, **A, B, C** and **D**. Choose the **one** you consider correct and shade your choice using a **soft pencil** on the separate **Answer Sheet**.
- 4 Read the instructions on the **Answer Sheet** very carefully.

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### Information for Candidates

- 1 Each correct answer will score **one** mark. A mark will **not** be deducted for a wrong answer.
- 2 **Non-programmable Calculators** may be used.
- 3 Cell phones and other electronic devices are **not allowed** in the examination room.

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- 1 One prospect in the accounting profession is ...
  - A architect.
  - B artisan.
  - C finance manager.
  - D marketing manager.
- 2 The ... concept states that fixed assets should be recorded at cost value.
  - A accruals
  - B historical
  - C matching
  - D prudence
- 3 Most business organisations do **not** undertake ... transactions.
  - A credit
  - B cash
  - C barter
  - D bank
- 4 Which of the following best describes a credit transaction? It is an exchange of goods for ...
  - A cash payment.
  - B cheque payment.
  - C other goods.
  - D payment after two days.
- 5 The source document for the Petty Cash Book is the ...
  - A debit note.
  - B credit note.
  - C petty cash voucher.
  - D receipt cash voucher.
- 6 The book of original entry which records opening entries of a business is called ... Journal.
  - A Cash
  - B General
  - C Purchase
  - D Sales

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~~7~~ John, the owner of a business, took goods from the business for private use. Which of the following would be the correct double entry for the transaction?

	<b>Debit</b>	<b>Credit</b>
A	Drawings Account	Purchases Account
B	Purchases Account	Drawings Account
C	Purchases Account	Stock Account
D	Stock Account	Purchases Account

~~8~~ Rent receivable account is an example of a ... Account.

- A Real
- B Personal
- C Nominal
- D Asset

- 9 Which one of the following books of prime entry may be treated as a ledger? ... Book.
- A Cash
  - B Purchases
  - C Returns Inwards
  - D Returns Outwards
- 10 Rent receivable and discount allowed are recorded in the ... Ledger.
- A Real
  - B Personal
  - C General
  - D Debtors
- 11 One purpose of the Trial Balance is that, it ...
- A assists in the calculation of capital.
  - B assists in the preparation of final accounts.
  - C shows the financial position of the firm.
  - D shows the trading profit and loss of the firm.



- 12 The following balances were extracted from the ledger of Paul:

	K	N
+ Capital	2 000 000	00
+ Debtors	300 000	00
+ Creditors	500 000	00
+ Sales	700 000	00
- Purchases	400 000	00
+ Bank Overdraft	200 000	00
+ Machinery	1 500 000	00
- Wages	1 200 000	00

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Calculate the total amounts for the Trial Balance.

- A K3 400 000.00
  - B K3 700 000.00
  - C K4 400 000.00
  - D K4 700 000.00
- 13 When sales are greater than the cost of goods sold, the difference is ...
- A gross loss.
  - B gross profit.
  - C net loss.
  - D net profit.
- 14 Which of the following is **not** a profit and loss item?
- A Allocated motor expenses
  - B Allowance for depreciation
  - C Depreciation of fixed assets
  - D Distribution costs

- 15 Given the following: Fixed Assets K250 000.00, Current Assets K251 000.00 and Current Liabilities K93 000.00. Calculate the working capital.
- A K158 000.00  
B K274 000.00  
C K344 000.00  
D K367 000.00
- 16 A debit balance in the expense account means that the expense was ...
- A undercast.  
B unpaid.  
C prepaid.  
D overcast.
- 17 Income receivable owing is a ...
- A current liability.  
B long-term liability.  
C non current assets.  
D non fixed assets.
- 18 An asset which cost K4 000 000.00 had depreciated by K1 500 000.00. It was later sold at K2 000 000.00. What was the profit or loss on disposal of this asset?
- A Loss of K500 000.00  
B Loss of K1 000 000.00  
C Profit of K500 000.00  
D Profit of K1 000 000.00
- 19 An error where an item is entered in the wrong account of the same class is an error of ...
- A transposition.  
B principle.  
C omission.  
D commission.
- 20 Which of the following error would make a Trial Balance fail to agree?
- A A payment for electricity K204 000.00 was written as K240 000.00 in the books of accounts.  
B A sale of goods for K500 000.00 was completely omitted from the books of accounts.  
C Discount allowed and discount received were undercast by K2 000.00.  
D Purchases Day Book was overcast by K30 000.00 in the books of accounts.
- 21 The total of the Sales Day Book is K9 160 000.00. It has been entered in the Sales Account as K9 610 000.00. To correct this error the Suspense Account will be ...
- A credited with K450 000.00.  
B credited with K9 610 000.00.  
C debited with K450 000.00.  
D debited with K9 160 000.00.

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- 22 Which one of the following is **not** responsible for the difference between the bank statement balance and cash book balance?
- A Cheques paid in but not yet credited by the bank.
  - B Cheques paid out but not yet presented for payment.
  - C Equipment bought for cash from A.M Trading.
  - D Interest charged on an overdraft bank balance.
- 23 A bank overdraft in the revised cash book is shown by a ...
- A credit balance.
  - B credit transfer.
  - C debit balance.
  - D direct transfer.
- 24 What is the purpose of a contra entry made in the purchases and sales ledger control accounts? To ...
- A decrease the amount owed by credit customers and to credit suppliers.
  - B decrease the amount owed to credit suppliers.
  - C increase the amount owed by credit customers.
  - D increase the amount owed by credit customers and to credit suppliers.
- 25 Which one of the following is **not** a source of information for the Purchases Ledger Control Account?
- A Cash Book
  - B Purchases Journal
  - C Purchases Returns Journal
  - D Sales Returns Journal
- 26 An account for a non profit making organisation which shows the movement of cash is the ... Account.
- A Income and Expenditure
  - B Receipts and Payments
  - C Subscriptions
  - D Trading
- 27 The following information relates to Green Buffaloes Club:
- \* 1 January 2022: Owing to suppliers for refreshments K294 000.00.
  - + 31 December 2022: Owing to suppliers for refreshments K150 000.00.
  - During the year 2022: Payments to suppliers of refreshments K496 800.00.
- Calculate the amount for purchases of refreshments for 2022.
- A K352 800.00
  - B K493 680.00
  - C K496 800.00
  - D K648 800.00
- 28 When fixed assets are sold by a business, the amount realised is ...
- A revenue receipt.
  - B revenue expenditure.
  - C capital receipt.
  - D capital expenditure.

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- 29 Wages and salaries is an example of ...
- A revenue receipt.
  - B revenue expenditure.
  - C capital receipt.
  - D capital expenditure.
- 30 The decrease in net worth is also referred to as ...
- A gross loss.
  - B gross profit.
  - C net loss.
  - D net profit.
- 31 Most retailers who maintain their books on single entry merely keep a ... Book.
- A Cash
  - B Purchases
  - C Record
  - D Sales
- 32 In the absence of a partnership agreement, the partners will be guided by the provisions of the ...
- A Companies Act.
  - B Companies Act of 1890.
  - C Partnership Act.
  - D Partnership Act of 1890.
- 33 In partnership accounts, ... is debited to the partners' current accounts.
- A interest on capital
  - B interest on drawings
  - C share of interest
  - D share of profit
- 34 Which of the following is **not** a type of stock under manufacturing accounts?
- A Opening stock of work in progress.
  - B Opening stock of raw materials.
  - C Closing stock of work in progress
  - D Closing stock of purchased goods.
- 35 The total of direct materials, direct labour and direct expenses is ...
- A gross profit.
  - B net profit.
  - C prime cost.
  - D production cost.

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36 Calculate the cost of production from the following details:

Raw materials	K8 400 000.00
Wages	K5 600 000.00
Packing materials	K2 200 000.00
Factory overheads	K3 200 000.00

- A K13 800 000.00
- B K19 400 000.00
- C K21 400 000.00
- D K24 400 000.00

37 ... constitutes ethics in accounting.

- A Accountability, dependence and money laundering.
- B Discipline, honesty and integrity.
- C Discipline, honesty and intelligence.
- D Embezzlement, theft and money laundering.

38 Which of the following is the result of overlooking ethics in accounting?

- A Bankruptcy
- B Credibility
- C Fraud
- D Loss

39 The number of times the business replenishes its goods is ...

- A rapidity of stock turnover.
- B net profit as a percentage of turnover.
- C gross profit margin.
- D current ratio for stock.

40 The formula to calculate net profit margin is ...

- A  $\frac{\text{Net profit}}{\text{Capital}} \times 100.$
- B  $\frac{\text{Net profit}}{\text{Cost of Sales}} \times 100.$
- C  $\frac{\text{Net profit}}{\text{Gross Profit}} \times 100.$
- D  $\frac{\text{Net profit}}{\text{Turnover}} \times 100.$

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