

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for General Certificate of Education Ordinary Level

Principles of Accounts

7110/1

Paper 1

Monday

24 JULY 2017

Additional Material(s):

Multiple choice answer sheet

Time: 1 hour

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 The main purpose of accounting is to ...
- A extract a Trial Balance.
 - B manage the business.
 - C keep accurate book-keeping records.
 - D complete double entry system.
- 2 According to the business entity assumption the business is different from the ...
- A banker.
 - B customers.
 - C government.
 - D owners.
- 3 Mwamba exchanged salt for sugar. What type of transaction is this?
- A Bank
 - B Barter
 - C Cash
 - D Credit
- 4 Which one of the following is a credit transaction?
- A Purchase of goods for cash.
 - B Buying goods paying by cheque.
 - C Buying goods paying in 30 days time.
 - D An exchange of goods for goods.
- 5 If debtors are overcharged on the invoice, which document is sent to them to adjust the amount?
- A Credit Note
 - B Debit Note
 - C Purchase Invoice
 - D Sales Invoice
- 6 The books of Prime Entry may also be called ... Books.
- A Cash
 - B Bank
 - C Ledger
 - D Subsidiary
- 7 What would be the correct double entry to record commission received by cheque?
- | Debit | Credit |
|-------------------------------|-----------------------------|
| A Cash Account | Commission Received Account |
| B Bank Account | Commission Received Account |
| C Capital Account | Commission Received Account |
| D Commission Received Account | Bank Account |

- 8** What do we record in Nominal Accounts? Accounts for ...
- A** assets.
 - B** customers.
 - C** expenses.
 - D** suppliers.
- 9** Which one of the following is not a type of Ledger?
- A** Journal Ledger
 - B** General Ledger
 - C** Purchases Ledger
 - D** Sales Ledger
- 10** ... Accounts are found in the Sales Ledger.
- A** Fictitious
 - B** Nominal
 - C** Personal
 - D** Real
- 11** A business prepares a Trial Balance to ...
- A** calculate the profit and loss.
 - B** show the financial position.
 - C** check the arithmetical accuracy of the ledger.
 - D** check the cash and bank balances.
- 12** The following Trial Balance was prepared by an inexperienced Book-keeper:

Trial Balance as at 30 June 2015

	Dr (K)	Cr (K)
Opening stock		1 000
Purchases	5 000	
Insurance	500	
Drawings		2 200
Purchases returns	1 500	
Sales	8 000	
Sales returns		800
Totals	15 000	4 000

Using the above information, redraft the Trial Balance to show the correct totals.

	Dr (K)	Cr (K)
A	7 300	7 300
B	3 000	3 000
C	13 800	13 800
D	9 500	9 500

- 13** Given that fixed assets are K330 000; current assets K280 000 and current liabilities K180 000, what are the net assets?
- A** K 610 000
 - B** K 100 000
 - C** K 790 000
 - D** K 430 000
- 14** Carriage inwards can be defined as ...
- A** cost of goods sold.
 - B** expenses incurred on purchases.
 - C** transport charges on purchases.
 - D** transport charges on sales.
- 15** The main aim for preparing a Balance Sheet is to show ...
- A** value of current assets.
 - B** value of current liabilities.
 - C** the authenticity of the accounting equation.
 - D** the list of cash, bank, debtors and stock balances.
- 16** A machine was purchased on 1st January 2016 for K6,000 and had a scrap value of K1000. The life of the asset was 5 years under the straight line method. What will be the depreciation charge for the year ended 31 December 2016?
- A** K 700
 - B** K 1 000
 - C** K 1 700
 - D** K 2 000
- 17** Depreciation is defined as the ...
- A** amount spent to buy a fixed asset.
 - B** salvage value of a fixed asset.
 - C** cost of a fixed asset consumed during its period of use.
 - D** amount of money spent on replacing assets.
- 18** Which one of the following errors is **not** revealed by the Trial Balance? Error of ...
- A** undercast.
 - B** reversal of entries.
 - C** overcast.
 - D** over valuing of stock.
- 19** Compensating errors are errors ...
- A** where an entry has been omitted.
 - B** which compensate or cancel each other.
 - C** made in the ledger.
 - D** made in the subsidiary books.

- 20** At the end of the financial year, it was discovered that the Purchases Returns Account had been undercast by K50. A Suspense Account was opened. Which entries are required to correct this error?
- A** Credit Purchases Account, K50
Debit Purchases Returns Account, K50
 - B** Credit Suspense Account, K50
Debit Purchases Returns Account, K50
 - C** Debit Purchases Account, K50
Credit Purchases Returns Account, K50
 - D** Debit Suspense Account, K50
Credit Purchases Returns Account, K50
- 21** A Bank Reconciliation Statement is prepared to ...
- A** check the arithmetical accuracy of our work.
 - B** verify the cash book balance and bank statement balance
 - C** show unrepresented cheques lodged with the bank.
 - D** show uncredited cheques lodged with the bank.
- 22** Which one of the following is correct about a Bank Reconciliation Statement? It is ...
- A** part of the double entry accounting records.
 - B** not part of the double entry accounting records.
 - C** prepared by a firm and sent to its bank.
 - D** posted to the Nominal Ledger.
- 23** The total amount of discount received entered in the Purchases Ledger Control Account is obtained from the ...
- A** Cash Book.
 - B** General Ledger.
 - C** Purchases Journal.
 - D** Petty Cash Book.
- 24** A ... Account is an account in the General Ledger that provides a summary of Debtors and Creditors Ledger.
- A** Bank
 - B** Control
 - C** Profit and Loss
 - D** Trading
- 25** Which one of the following is **not** an item of the Receipts and Payments Account?
- A** Cheques paid out during the year
 - B** Bank balances
 - C** Receipts from sale of assets
 - D** The Accumulated Fund

- 26 From the following information calculate the amount to be taken to the Income and Expenditure Account.

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		Dr (K)	Cr (K)
Balance	b/f	1 400	
Cash			1 400
Cash			14 350
Cash			1 200
Income and Expenditure		?	
Balance	c/d	13 750	
		16 950	16 950
Balance	b/d		13 750

- A** 1, 100
B 1, 700
C 1, 800
D 1, 080
- 27 Which one of the following is Capital Income?
A Cash received from the sale of office equipment
B Cheque received from the sale of stock
C Discounts received from trade creditors
D Rent received from tenants
- 28 Expenditure which is not spent on increasing value of fixed assets, but on running the business on a day-to-day basis is known as ...
A Capital Expenditure.
B Interest Paid.
C Revenue Expenditure.
D Revenue Receipt.
- 29 Traders who do not keep double entry records maintain ...
A single entry records.
B petty cash entry records.
C general journal records.
D cash book records.
- 30 Which one of the following items is used in sales calculation for single entry organizations?
A Discount received
B Cash payment to creditors
C Discount allowed
D Returns outwards

- 31** In the absence of drawings and additional capital, capital at the end less capital at start is equal to ...
- A** gross worth.
 - B** gross profit.
 - C** net profit.
 - D** net worth.
- 32** Where there is no partnership agreement the profits and losses must be shared ...
- A** in the same proportion as capital.
 - B** equally among the partners.
 - C** after adjusting for interest on capital.
 - D** in the same proportion as drawings.
- 33** Partnership formation must be formed by ...
- A** partnership deed.
 - B** agreement in writing.
 - C** verbal agreement.
 - D** articles of association.
- 34** The final figure produced in the Manufacturing Account and transferred to the trading account is called ...
- A** direct cost.
 - B** production cost.
 - C** prime cost.
 - D** indirect cost.
- 35** Work in Progress refers to ...
- A** goods whose production process is not complete.
 - B** goods for resale.
 - C** services whose production process is not complete.
 - D** goods sold on credit.
- 36** Calculate the cost of Raw Materials Consumed from the following information:

	K
Purchases	202 000
Opening stock	8 000
Direct wages	40 000
Closing stock	10 000
Depreciation of plant machinery	30 000

- A** K210 000
- B** K270 000
- C** K240 000
- D** K200 000

- 37** Which one of the following is **not** a characteristic of accountability?
- A** Accounting for one's actions and results
 - B** Letting one's actions rise above their excuses
 - C** Responsibility to perform a specific function
 - D** Respecting the confidentiality of information
- 38** Which one of the following is **not** an ethical practice in an organization?
- A** Discipline
 - B** incompetency
 - C** Integrity
 - D** Trustworthy
- 39** The amount a trader adds to his/ her selling price is known as ...
- A** margin
 - B** mark-up
 - C** net profit
 - D** turnover
- 40** The formula for calculating the current ratio is ...
- A** $\frac{\text{Gross Profit}}{\text{sales}} \times 100$
 - B** $\frac{\text{Net Sales}}{\text{Capital}} \times 100$
 - C** $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
 - D** $\frac{\text{Current Liabilities}}{\text{Current Assets}}$