

PRINCIPLES OF ACCOUNTS

7110/11

Paper 1 Multiple Choice

May/June 2015

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

* 5 6 1 4 1 5 8 2 1 1 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.

Do not use staples, paper clips, glue or correction fluid.

Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.

DO NOT WRITE IN ANY BARCODES.

There are **thirty** questions on 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.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.

Any rough working should be done in this booklet.

Calculators may be used.

This document consists of **10** printed pages and **2** blank pages.

- 1 How should the owner of a business use his financial statements?
- A** to calculate the cash drawings for the year
B to determine the amount due to trade payables
C to measure the change in the bank balance
D to monitor the progress of the business
- 2 A business had the following assets and liabilities.

	\$
premises	15 000
inventory	6 000
trade receivables	3 000
bank overdraft	1 000
trade payables	4 000

It took out a bank loan, \$2000, to pay for a motor vehicle.

What was the owner's capital after the transaction?

- A** \$17 000 **B** \$19 000 **C** \$21 000 **D** \$23 000
- 3 Sarah sells goods on credit to Zafar.

How is this recorded in Sarah's ledgers?

	general ledger		sales ledger	
A	credit	sales account	debit	Zafar account
B	debit	sales account	credit	Zafar account
C	credit	Zafar account	debit	sales account
D	debit	Zafar account	credit	sales account

- 4 Which statement about a debit note is correct?
- A** It is sent to a customer to request payment of an account.
B It is sent to a customer when his order cannot be supplied in full.
C It is sent to a supplier to order additional goods.
D It is sent to a supplier when damaged goods are received.

- 5 Hassan maintains a sales journal, purchases journal, sales returns journal and purchases returns journal.

At the end of each month, Hassan transfers the totals of these journals to the ledger.

Which entries will Hassan make in his ledger to record these totals?

	account to be debited	account to be credited
A	purchases returns sales	purchases sales returns
B	purchases returns sales returns	purchases sales
C	purchases sales	purchases returns sales returns
D	purchases sales returns	purchases returns sales

- 6 At the end of April the discount column on the debit side of a three column cash book showed entries of \$80 and \$60.

How is this recorded in the ledger?

	account(s) to be debited	account(s) to be credited
A	discount allowed \$140	individual debtor accounts \$80 and \$60
B	discount received \$140	individual creditor accounts \$80 and \$60
C	individual creditor accounts \$80 and \$60	discount received \$140
D	individual debtor accounts \$80 and \$60	discount allowed \$140

- 7 On 1 May a trader's bank statement showed an overdraft of \$80.

The following were recorded in the cash book but did not appear on the bank statement.

cheques not presented	\$194
amounts not credited	\$334

What was the balance in the cash book on 1 May?

- A \$60 debit
 B \$60 credit
 C \$220 debit
 D \$220 credit
- 8 The following account appeared in the books of Abdul.

Hanif account				
		Debit	Credit	Balance
		\$	\$	\$
2015				
March	1 Balance		400	400 Cr
	4 Purchases		250	650 Cr
	18 Returns	100		550 Cr
	31 Bank	392		158 Cr
	Discount	8		150 Cr

Which statement is correct?

- A On 1 March Abdul owed Hanif \$400.
 B On 4 March Hanif purchased goods, \$250, from Abdul.
 C On 31 March Abdul allowed Hanif \$8 trade discount.
 D On 31 March Hanif owed Abdul \$150.
- 9 On 1 January 2014 a trader owed one month's rent. During the year rent was paid by a cheque. On 31 December 2014 two month's rent was prepaid.
- How did the trader calculate the rent for the year ended 31 December 2014?
- A amount paid + opening accrual + closing prepayment
 B amount paid + opening accrual – closing prepayment
 C amount paid – opening accrual + closing prepayment
 D amount paid – opening accrual – closing prepayment

10 At the end of the financial year, Ryan had accrued motor expenses of \$200.

How will this appear in Ryan's ledger and statement of financial position?

	motor expenses account in the ledger	statement of financial position
A	credit balance brought down	current asset
B	credit balance brought down	current liability
C	debit balance brought down	current asset
D	debit balance brought down	current liability

11 A business maintains a provision for doubtful debts of 2% of trade receivables.

On 1 January 2014 the provision was \$1000. On 31 December 2014 the trade receivables amounted to \$150 000.

Which entry should be made on 31 December 2014?

	debit	\$	credit	\$
A	income statement	2000	provision for doubtful debts	2000
B	provision for doubtful debts	2000	income statement	2000
C	income statement	3000	provision for doubtful debts	3000
D	provision for doubtful debts	3000	income statement	3000

12 Ezra received the following cheques.

\$210 from the sale of goods

\$1000 from the sale of old motor vehicle (at book value)

\$150 for rent of premises

How did Ezra classify these receipts?

	sale of goods	motor vehicle	rent received
A	capital receipt	capital receipt	revenue receipt
B	capital receipt	revenue receipt	capital receipt
C	revenue receipt	capital receipt	revenue receipt
D	revenue receipt	revenue receipt	capital receipt

- 13 Repairs to a motor vehicle were debited in error to the motor vehicles account.

How does this affect the profit for the year and the non-current assets in the statement of financial position?

	profit for the year	non-current assets
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

- 14 What is the formula for calculating the depreciation for the year using the revaluation method?

- A** closing valuation + additions during the year – opening valuation
- B** closing valuation – additions during the year – opening valuation
- C** opening valuation + additions during the year – closing valuation
- D** opening valuation – additions during the year – closing valuation

- 15 A vehicle purchased for \$15 000 was sold four years later for \$2 000. The balance on the provision for depreciation account was \$12 000 at the date of sale.

What was the profit or loss on the sale?

- A** \$1 000 loss
- B** \$1 000 profit
- C** \$2 000 profit
- D** \$3 000 loss

- 16 Carla is preparing her sales ledger control account.

Where will she obtain information about contra entries?

- A** cash book
- B** general journal
- C** purchases ledger
- D** sales ledger

- 17 On 1 January 2014 Kim's net assets totalled \$70 000. On 31 December 2014 they totalled \$55 000. During the year Kim withdrew \$4000 for personal use.

What was the profit or loss for the year?

- A \$11 000 loss
 B \$11 000 profit
 C \$19 000 loss
 D \$19 000 profit
- 18 How should inventory be valued?
- A cost
 B higher of cost and net realisable value
 C lower of cost and net realisable value
 D net realisable value
- 19 How is capital employed calculated?
- A current assets – current liabilities
 B current assets – (current liabilities + non-current liabilities)
 C non-current assets + current assets – current liabilities
 D non-current assets + current assets – (current liabilities + non-current liabilities)
- 20 Amelia is a photographer. She provided the following information.

	\$
fees owing at the beginning of the year	2 350
fees received during the year	53 410
fees owing at the end of the year	1 890

How much would be entered for fees in the income statement?

- A \$49 170 B \$52 950 C \$53 870 D \$57 650
- 21 In the accounts of a partnership, where would interest on drawings appear?
- A capital accounts as a credit entry
 B capital accounts as a debit entry
 C current accounts as a credit entry
 D current accounts as a debit entry

- 22 Clear is a sole trader making annual profits of \$24 000. He decides to admit Deep as a partner. They agree that Clear would receive salary, and profits and losses would be shared equally.

The forecast appropriation account for the partnership's first year of trading is:

	\$
profit for the year	50 000
salary Clear	<u>10 000</u>
profit available for distribution	<u>40 000</u>

By how much will Clear's total income increase?

- A** \$1000 **B** \$6000 **C** \$16 000 **D** \$26 000
- 23 At the end of the financial year, some members of Allsports Club had not paid their subscription.

How will these unpaid subscriptions be recorded by Allsports Club?

	receipts and payments account	income and expenditure account	statement of financial position	
			asset	liability
A	✓		✓	
B		✓		✓
C	✓			✓
D		✓	✓	

- 24 What is similar to a statement of affairs?

- A** bank reconciliation statement
B income statement
C statement of financial position
D trial balance

25 Vivek provided the following information for the month of April.

	\$
increase in trade payables during the month	670
amounts paid to credit suppliers	5660
cash refunds from credit suppliers	250
discount received	310

What were purchases for April?

- A** \$4930 **B** \$5050 **C** \$6270 **D** \$6390

26 A limited company provided the following information.

		\$
January 1	ordinary shares of \$1 each	200 000
	retained earnings	12 000
December 31	profit for the year	43 000
	transfer to general reserve	10 000

A dividend of 10% on ordinary shares was paid during the year.

What were the retained earnings on 31 December?

- A** \$13 000 **B** \$23 000 **C** \$25 000 **D** \$35 000

27 Martha received gross pay of \$1000 per month. Her employer provided the following information.

	percentage of gross pay
employee's social security contribution	10%
employer's social security contribution	15%
income tax	20%

What was Martha's net pay for the month?

- A** \$550 **B** \$650 **C** \$700 **D** \$750

28 A company provided the following information about its current ratio.

Year 1 2.3:1

Year 2 2.4:1

Year 3 2.5:1

What would explain the changes in the ratio?

- A Inventory is decreasing.
- B Other payables are increasing.
- C Other receivables are increasing.
- D Trade receivables are decreasing.

29 What is the going concern principle?

- A Accounting records are prepared assuming that the business will continue to operate in the foreseeable future.
- B Income and expense should be accounted for in the same way they were accounted for in previous periods.
- C Profit should not be anticipated and losses written off as soon as they are known.
- D Revenue and costs should be recognised as they are earned or incurred, not when the money is received or paid.

30 The payment of an insurance premium was entered in the cash book and in the insurance account.

Which accounting principle was applied?

- A accounting year
- B dual aspect
- C matching (accruals)
- D materiality

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