



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level



PRINCIPLES OF ACCOUNTS

7110/11

Paper 1 Multiple Choice

May/June 2013

1 hour

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

* 3 9 0 9 0 4 0 5 7 3 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, highlighters, 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.

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 **9** printed pages and **3** blank pages.



- 1 A trader prepares financial statements each year.

What do these assist the trader to do?

- A calculate the amount owing to creditors
- B calculate the cash drawings
- C check the bank statement balance
- D make decisions about the future

- 2 Which is recorded in the sales ledger?

- A cash sales
- B cheque paid to a creditor
- C cheque received from a debtor
- D sale of non-current assets

- 3 What is the accounting equation?

- A $\text{assets} = \text{capital} - \text{liabilities}$
- B $\text{capital} = \text{assets} + \text{liabilities}$
- C $\text{capital} = \text{assets} - \text{liabilities}$
- D $\text{liabilities} = \text{capital} + \text{assets}$

- 4 Oliver received a statement from Sunway Wholesalers showing a debit balance of \$6742.

What does this mean?

- A Goods, \$6742, are to be delivered to Oliver.
- B Oliver has sent a cheque, \$6742, to Sunway Wholesalers.
- C Oliver owes Sunway Wholesalers \$6742.
- D Sunway Wholesalers owe Oliver \$6742.

- 5 A customer is given a discount of 25% for buying a large quantity of goods on credit with a list price of \$2000. He is given a further discount of 10% as he pays within 14 days.

How much trade discount does he receive?

- A \$150
- B \$500
- C \$650
- D \$700

- 6 On 1 May Hassan had an overdraft of \$1144.

On 2 May he was notified by the bank that a cheque, \$133, received from Waheed had dishonoured. On the same day cash sales, \$950, were paid into the bank. These were entered in the cash book.

What was the balance brought down in the bank column of Hassan's cash book on 3 May?

- A \$327 credit
 B \$327 debit
 C \$1961 credit
 D \$1961 debit
- 7 Where is the total of the purchases journal posted?
- A credit income statement
 B debit income statement
 C credit purchases account
 D debit purchases account

- 8 The cash book acts as a ledger account for which accounts?

	cash account	bank account	discount allowed account	discount received account
A	✓	✓	✓	✓
B		✓	✓	✓
C			✓	✓
D	✓	✓		

- 9 On 31 March, Somraj's bank statement showed a credit balance of \$740. Comparing the bank statement with the cash book he found the following.

	\$
bank charges	30
unpresented cheques	150

Somraj updated his cash book as required.

Which figure for bank should be shown in Somraj's balance sheet on 31 March?

- A \$590 B \$620 C \$860 D \$890

- 10 A business discovers that cash received from Abdul, a credit customer, has been recorded as a cash sale.

How can this be corrected?

	account to be debited	account to be credited
A	Abdul	cash
B	Abdul	sales
C	cash	Abdul
D	sales	Abdul

- 11 Peter is a customer of Paul. On 1 May Peter owed Paul \$250.

Transactions during May were as follows.

	\$
sales	1470
discount allowed	20
cheques received	930
sales returns	80

What was the debit balance on Peter's account in the books of Paul on 1 June?

- A** \$440 **B** \$460 **C** \$690 **D** \$710
- 12 What is a trial balance?
- A** a list of balances on a business's books on a certain date
- B** a list of the assets, liabilities and capital of a business on a certain date
- C** a summary of all a business's transactions for the year
- D** a summary of the financial position of a business at the year end
- 13 Which is an error of original entry?
- A** cash received from Trenchard credited to Trent's account
- B** insurance paid debited to the premises account
- C** purchase of vehicle debited to bank account and credited to vehicle account
- D** sales invoice, \$790, entered in the sales journal as \$970

- 14 Hani decided to make a provision for doubtful debts of 3% of his trade receivables.

How is this recorded?

	debit	credit
A	income statement	provision for doubtful debts account
B	provision for doubtful debts account	income statement
C	provision for doubtful debts account	trade receivables account
D	trade receivables account	provision for doubtful debts account

- 15 The cost of motor vehicle repairs was debited to the motor vehicle account.

How would this affect the profit and the non-current assets?

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

- 16 A computer network costing \$100 000 is depreciated by the straight line method at 25% per annum.

What will be the net book value at the end of year 3?

- A** nil **B** \$25 000 **C** \$50 000 **D** \$75 000

- 17 Ernest prepared a trial balance. He omitted the bad debts account, \$400, and he entered the balance of the insurance account as \$9000 instead of \$900.

What was the balance of the suspense account?

- A** \$7700 credit
B \$7700 debit
C \$8500 credit
D \$8500 debit

18 A trader prepares control accounts.

Where will discount received be entered?

- A in the purchases ledger control account as a credit entry
- B in the purchases ledger control account as a debit entry
- C in the sales ledger control account as a credit entry
- D in the sales ledger control account as a debit entry

19 A business has two departments, X and Y. The total sales were \$120 000, of which 60% related to department X. The total cost of sales was \$90 000 of which 50% related to department X.

What was the gross profit of department Y?

- A \$3000
- B \$15 000
- C \$18 000
- D \$27 000

20 Sabena is a trader. She provided the following information.

	\$
current assets	130 000
non-current assets	300 000
current liabilities	70 000
non-current liabilities	150 000

What was the equity?

- A \$60 000
- B \$210 000
- C \$360 000
- D \$430 000

21 Which would **not** appear in an income statement of a service business?

- A insurance
- B inventory
- C rent
- D wages

22 A trader took goods for her own use.

How should this be recorded?

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

23 X and Y are in partnership sharing profits and losses equally. The following information was extracted from their financial records at 31 December.

	\$
interest on capital – X	1300
– Y	1100
salary – Y	4000

The profit for the year was \$24 200.

What was Y's share of the residual profit?

- A** \$8900 **B** \$10 200 **C** \$12 900 **D** \$14 000

24 Which will be included in this year's receipts and payments account?

- 1 depreciation of sports equipment
- 2 subscriptions prepaid at end of year
- 3 subscriptions prepaid at start of year
- 4 proceeds of sale of sports equipment

- A** 1, 2 and 3 **B** 2, 3 and 4 **C** 2 and 4 only **D** 3 and 4 only

25 A business provided the following information.

inventory at 1 January 2012	\$6800
inventory at 31 December 2012	\$6000
rate of inventory turnover	5 times

What were the purchases for the year?

- A** \$29 200 **B** \$31 200 **C** \$32 000 **D** \$32 800

- 26 At the end of its first year of trading, Sinola Ltd transferred \$10 000 to a general reserve. In which of the company's financial statements will this be shown?

	income statement	profit and loss appropriation account	balance sheet
A	no	no	yes
B	no	yes	yes
C	yes	no	no
D	yes	yes	no

- 27 Satnam is a gardener and is paid on a time basis. He works a different number of hours each day.

What should Satnam complete to enable his employer to calculate his weekly wage?

- A** clock card
- B** payslip
- C** time sheet
- D** wages sheet

- 28 A business provided the following information for the year.

profit for year	\$24 000	
expenses	\$16 000	
gross profit/sales percentage		20%

What were the sales for the year?

- A** \$120 000
- B** \$160 000
- C** \$200 000
- D** \$240 000

29 A trader decided that office equipment costing less than \$100 would **not** be registered as a non-current asset.

Which accounting principle is being applied?

- A accounting entity
- B materiality
- C money measurement
- D prudence

30 What is ensured by applying the principle of consistency?

- A Business assets are separate from the owner's assets.
- B Income statements exclude items relating to a different financial period.
- C Income statements exclude items which have no monetary value.
- D Results can be compared from year to year.

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