



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS

7110/01

Paper 1 Multiple Choice

October/November 2009

1 hour

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



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 What is true of a computerised accounting system?

- A Data input can be used for several accounting processes.
- B Installation costs are low.
- C It is always simple to design and modify a computer system.
- D Staff do not require special training.

2 Javed had the following assets and liabilities.

	\$
equipment	10 000
motor vehicle	8 000
bank balance	2 000 credit
amount owing to suppliers	4 000
amount owing by customers	5 000
stock	6 000
loan to Davinder	3 000

What was Javed's capital?

- A \$20 000 B \$24 000 C \$26 000 D \$30 000

3 Tony owns a bookshop. He sells a book to Susie who pays cash.

How will Tony record this transaction?

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

4 Dipankar often trades with Ashok.

In which order would the following documents be issued?

- A cheque, credit note, invoice, receipt
- B credit note, receipt, invoice, cheque
- C invoice, credit note, cheque, receipt
- D receipt, cheque, invoice, credit note

5 Which is entered in the general journal?

- A cash payment to an employee for expenses
- B correction of an error
- C credit purchase of goods for resale
- D return of goods by a customer

6 On 1 August the cash column of Alice's cash book showed a balance of \$950. On 5 August the following transactions took place.

	\$
withdrew cash from bank for office use	250
paid motor expenses in cash	75

What was the cash balance after these transactions?

- A \$625 B \$775 C \$1125 D \$1275

7 A bank reconciliation statement starts with the debit balance shown in the cash book.

How are uncredited deposits and unpresented cheques shown in the bank reconciliation statement?

	uncredited deposits	unpresented cheques
A	added	added
B	added	deducted
C	deducted	added
D	deducted	deducted

8 Sally supplies goods to Jake.

In Sally's books the account of Jake shows a debit balance of \$350.

Jake sends Sally a cheque for \$75.

What is the balance on Jake's account after this transaction?

- A \$275 debit B \$275 credit C \$425 debit D \$425 credit

9 Which will appear in the credit column of a trial balance?

- A cash at bank
- B cash in hand
- C discounts allowed
- D discounts received

10 After which error will a trial balance still balance?

- A A creditor's account was totalled incorrectly.
- B A credit note issued was not entered in the sales returns journal.
- C An error was made when extracting the balance on the motor vehicle account.
- D An error was made when recording cash received in a debtor's account.

11 Mona started business on 1 June 2008. She paid business rates of \$1400 for 14 months to 31 July 2009.

Mona prepared a profit and loss account for the year ended 31 May 2009.

What will be the balance brought down on the business rates account on 1 June 2009?

- A credit \$200 B debit \$200 C credit \$1200 D debit \$1200

12 A trader wishes to write off a debt owed by Raminder.

How will this be recorded in the trader's books?

	account to be debited	account to be credited
A	bad debts	Raminder
B	provision for doubtful debts	Raminder
C	Raminder	bad debts
D	Raminder	provision for doubtful debts

13 Which 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

- 14** A business allowed Smith, a customer, \$30 cash discount. This was entered correctly in the discount allowed account, but omitted from Smith's account.

A suspense account was opened.

Which correcting entries are required?

	account to be debited	\$	account to be credited	\$
A	discount allowed	30	Smith	30
B	Smith	30	discount allowed	30
C	Smith	30	suspense	30
D	suspense	30	Smith	30

- 15** Jaswan maintains a control account for her sales ledger.

What is the purpose of this control account?

- A** to calculate the amount owed to suppliers
B to calculate total sales
C to check the accuracy of the sales ledger
D to make the trial balance totals agree
- 16** A cheque received from a customer was dishonoured by the bank.

How should this be recorded?

- A** credit - purchases ledger control account
B debit - purchases ledger control account
C credit - sales ledger control account
D debit - sales ledger control account
- 17** A trader provided the following information.

	\$
sales	120 000
cost of sales	48 000
expenses	43 000

What was the net profit?

- A** \$5000 **B** \$29 000 **C** \$72 000 **D** \$77 000

18 How is capital employed calculated?

- A fixed assets + current assets + current liabilities
- B fixed assets + current assets – current liabilities
- C fixed assets – current assets + current liabilities
- D fixed assets – current assets – current liabilities

19 Which appears in a balance sheet?

- A capital expenditure
- B cost of goods sold
- C gross profit
- D revenue expenditure

20 James is a business advisor. His year-end accounts included the following.

	\$
wages	70 000
general expenses	18 200
depreciation	800
fixtures (book value)	8 000
debtors	19 500
creditors	3 100
net profit	33 000

How much was his fee income?

- A \$108 500
- B \$113 400
- C \$122 000
- D \$141 500

- 21** Basil and Ben are in partnership sharing profits and losses in the ratio 3 : 2. Basil receives an annual salary of \$12 000. The firm's net profit for the year was \$52 000.

How much would be credited to the current account of each partner after all appropriations?

	Basil current account \$	Ben current account \$
A	26 000	26 000
B	31 200	20 800
C	36 000	16 000
D	24 000	16 000

- 22** What will a sports club show as current assets in its balance sheet?

	subscriptions received in advance	subscriptions in arrears	stock of refreshments
A	✓	✗	✗
B	✓	✗	✓
C	✗	✓	✗
D	✗	✓	✓

- 23** A trader provided the following information.

	\$
capital 1 January 2008	20 000
capital 31 December 2008	24 000

During the year ended 31 December 2008, drawings of \$12 000 were made and additional capital, \$7000, was paid into the business bank account.

What was the profit or loss for the year?

- A** \$1000 loss **B** \$1000 profit **C** \$9000 loss **D** \$9000 profit

- 24** Winston started business on 1 April 2008. His purchases for his first year of trading amounted to \$59 400. His stock on 31 March 2009 was valued at \$9000. Winston's profit mark-up is 25%.

What were the sales for the year ended 31 March 2009?

- A** \$60 480 **B** \$63 000 **C** \$71 280 **D** \$74 250

- 25 How is cost of production calculated?
- A prime cost less factory overheads
 - B prime cost plus factory overheads
 - C prime cost less factory overheads less increase in work in progress
 - D prime cost plus factory overheads less increase in work in progress
- 26 Why is a payslip given to an employee?
- A so that the employee can present it to the bank to obtain payment
 - B so that the employee knows how his net pay is made up
 - C so that the employer has a record of the hours worked
 - D so that the employer knows how much tax to deduct
- 27 What is included in the current ratio but **not** the quick ratio?
- A bank
 - B cash
 - C debtors
 - D stock
- 28 Rita's net profit to sales increased from 12 % to 15 %.
- What could this be due to?
- A The business overheads increased.
 - B The business overheads decreased.
 - C The purchases increased.
 - D The sales decreased.
- 29 Which accounting principle is applied when a business uses the same method of depreciation each year?
- A consistency
 - B dual aspect
 - C going concern
 - D historical cost

- 30** Rent unpaid at the end of the financial year is added to a business's expenses and shown as a current liability in the balance sheet.

Which accounting principle is being applied?

- A** accounting entity
- B** matching
- C** materiality
- D** money measurement

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