

PRINCIPLES OF ACCOUNTS

7110/11

Paper 1 Multiple Choice

October/November 2015

1 hour

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

* 6 2 3 3 2 2 1 2 2 1 6 *



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 A business provided the following information.

	\$
inventory	2880
bank overdraft	750
trade receivables	1600
trade payables	1950
loan from bank	2000
loan to employee	150
other payables	70
other receivables	130

What was the total of the liabilities?

- A** \$4420 **B** \$4770 **C** \$4830 **D** \$4920
- 2 Which item would be recorded by a credit entry in an account?
- A** a decrease in capital
B a decrease in liabilities
C an increase in assets
D an increase in capital
- 3 Harvey bought goods on credit from Janet. The goods were unsuitable and Harvey returned them to Janet.
- Which document did Harvey send to Janet?
- A** credit note
B debit note
C invoice
D statement of account
- 4 How are the totals of the sales journal and the purchases returns journal recorded in the ledger?

	total of sales journal	total of purchases returns journal
A	credit sales account	credit purchases returns account
B	credit sales account	debit purchases returns account
C	debit sales account	credit purchases returns account
D	debit sales account	debit purchases returns account

- 5 Sally buys goods and is allowed a discount for early payment.

How does Sally record this discount?

	account to be debited	account to be credited
A	discount allowed	supplier
B	discount received	supplier
C	supplier	discount allowed
D	supplier	discount received

- 6 On 1 April a trader's cash book showed a debit balance of \$3204.

No entry had been made in the cash book for bank charges of \$78.

Deposits of \$288 had not been credited by the bank.

What was the credit balance on the bank statement on 1 April?

- A** \$2838 **B** \$2994 **C** \$3414 **D** \$3570

- 7 The following account appears in the ledger of Chan.

Fu account			
2015	\$	2015	\$
Aug 28 bank	100	Aug 1 balance b/d	100
31 balance c/d	<u>250</u>	12 purchases	<u>250</u>
	<u>350</u>		<u>350</u>

Which statement is correct?

- A** On 1 August Chan is owed \$100 by Fu.
B On 12 August Fu purchased goods, \$250, from Chan.
C On 28 August Chan paid Fu \$100 by cheque.
D On 31 August Fu is a debtor of Chan for \$250.

- 8 An invoice for goods purchased on credit, \$100, was entered in the purchases journal as \$1000.

How will this affect the trial balance?

	debit balances in trial balance	\$	credit balances in trial balance	\$
A	no effect	–	no effect	–
B	no effect	–	trade payables overstated	900
C	purchases overstated	900	no effect	–
D	purchases overstated	900	trade payables overstated	900

- 9 On 1 January commission receivable, \$210, was outstanding. Commission received during the year amounted to \$4850.

Which journal entry would be made at the end of the financial year on 31 December?

		debit \$	credit \$
A	commission receivable income statement	4640	4640
B	commission receivable income statement	5060	5060
C	income statement commission receivable	4640	4640
D	income statement commission receivable	5060	5060

- 10 A trader decides to change his provision for doubtful debts from 2% to 3% of trade receivables.

Which entry is made to record this?

	debit	credit
A	bad debts	income statement
B	income statement	bad debts
C	income statement	provision for doubtful debts
D	provision for doubtful debts	income statement

- 11 On 1 January a builder had tools valued at \$3100. During the year he purchased additional tools costing \$490 and tools valued at \$140 were scrapped. On 31 December the tools were valued at \$2750.

What was the depreciation for the year?

- A** \$350 **B** \$490 **C** \$700 **D** \$840

- 12 Which journal entry records the annual depreciation of machinery of \$500?

		debit \$	credit \$
A	income statement machinery	500	500
B	income statement provision for depreciation of machinery	500	500
C	provision for depreciation of machinery depreciation of machinery	500	500
D	provision for depreciation of machinery machinery	500	500

- 13 Henri has charged Thibault interest on his overdue account.

Where does this interest appear in Thibault's control accounts?

- A** on the credit side of the purchases ledger control account
B on the credit side of the sales ledger control account
C on the debit side of the purchases ledger control account
D on the debit side of the sales ledger control account

- 14 How is the profit for the year calculated?

- A** gross profit + other income + expenses
B gross profit + other income – expenses
C gross profit – other income + expenses
D gross profit – other income – expenses

- 15 A company had inventory which cost \$100 000. The inventory was damaged and would cost \$10 000 to repair after which it could be sold for \$80 000.

At which value will the inventory be shown in the company's financial statements?

- A** \$70 000 **B** \$80 000 **C** \$90 000 **D** \$100 000

16 How are current liabilities calculated?

- A non-current assets + current assets + capital owned + non-current liabilities
- B non-current assets + current assets – capital owned – non-current liabilities
- C non-current assets – current assets + capital owned + non-current liabilities
- D non-current assets – current assets – capital owned – non-current liabilities

17 A trader took out a business bank loan of \$5000 and also transferred \$2000 to the business bank account from his own funds.

How did these transactions affect the statement of financial position?

	owner's capital	liabilities	assets
A	no effect	increase \$5000	increase \$5000
B	increase \$2000	increase \$5000	increase \$2000
C	increase \$2000	increase \$5000	increase \$7000
D	increase \$7000	no effect	increase \$7000

18 Alice took goods for her own use but did not enter this in her accounting records.

She made an adjustment for these goods in the year-end financial statements.

How did this adjustment affect the gross profit and the closing capital?

	gross profit		closing capital		
	increase	decrease	increase	decrease	no effect
A	✓		✓		
B	✓				✓
C		✓		✓	
D		✓			✓

- 19 Rajid and Sunil formed a partnership on 1 January 2014 but did not prepare a partnership agreement.

They provided the following information.

	Rajid	Sunil
capital introduced 1 January 2014	\$40 000	\$20 000
during the year ended 31 December 2014		
drawings	\$5 000	\$3 500
share of work	50%	50%

They decide to draw up a partnership agreement for future years.

Which item would be most beneficial to Rajid in 2014?

- A interest on capital
 - B interest on drawings
 - C limit on annual drawings
 - D partnership salaries
- 20 A partner made a loan to the business.
- How was the interest on this loan recorded?
- A as a credit in the appropriation account
 - B as a credit in the income statement
 - C as a debit in the appropriation account
 - D as a debit in the income statement
- 21 A sports club was formed on 1 January 2014. During the year ended 31 December 2014 the club purchased equipment costing \$5000, paying by cheque.

In which of the club's financial statements did this appear?

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

22 A trader does not keep a full set of accounting records.

How is the profit for the year calculated?

- A closing capital – opening capital – capital introduced + drawings
- B closing capital – opening capital – drawings
- C closing capital – opening capital + capital introduced
- D closing capital – opening capital + capital introduced – drawings

23 On 1 January the trade receivables owed \$1000 and on 31 December they owed \$1500. During the year \$5000 was received from credit customers and a debt of \$100 was written off.

How much were the credit sales for the year?

- A \$2400
- B \$2600
- C \$5400
- D \$5600

24 Which item would **not** be entered in a statement of changes in equity?

- A issue of ordinary shares
- B ordinary share dividend proposed
- C profit for the year
- D transfer to general reserve

25 Zed Limited provided the following information.

	\$
issued and paid up share capital	200 000
general reserve	30 000
retained earnings	15 000
10% debentures	20 000

What were total shareholders' funds?

- A \$215 000
- B \$230 000
- C \$245 000
- D \$265 000

- 26 Wages are paid by a manufacturing business to machine operators, factory cleaners and office staff.

Where are these wages recorded in the financial statements?

	machine operators	factory cleaners	office staff
A	overheads in manufacturing account	income statement	income statement
B	overheads in manufacturing account	overheads in manufacturing account	overheads in manufacturing account
C	prime cost in manufacturing account	overheads in manufacturing account	income statement
D	prime cost in manufacturing account	prime cost in manufacturing account	overheads in manufacturing account

- 27 Yousef started a business on 1 April. His employees are paid weekly and any statutory deductions are paid to the authorities monthly in arrears.

For the week ended 7 April the net wages paid to employees totalled \$7500 and the statutory deductions totalled \$1750.

Which entries did Yousef make on 7 April?

	account to be debited	\$	account to be credited	\$
A	bank	9250	wages	7500
			statutory deductions	1750
B	wages	7500	bank	9250
	statutory deductions	1750		
C	bank	7500	wages	9250
	statutory deductions	1750		
D	wages	9250	bank	7500
			statutory deductions	1750

- 28 A trader overvalued his year-end inventory.

Which statements are correct?

- 1 Current assets are understated.
- 2 Current liabilities are understated.
- 3 Gross profit is overstated.
- 4 Profit for the year is overstated.

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

- 29 Anwar's profit for the year was \$28 000. He provided the following information at the end of his financial year.

	\$
capital	112 000
current assets	80 000
current liabilities	20 000
non-current assets	140 000
long-term loan	88 000

What was the profit for the year as a percentage of capital employed?

- A** 7% **B** 14% **C** 20% **D** 25%
- 30 In a trader's statement of financial position the non-current assets are shown at cost less depreciation to date.

Which accounting principle is being applied?

- A** business entity
B duality
C going concern
D materiality

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