



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

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**PRINCIPLES OF ACCOUNTS**

**7110/11**

Paper 1 Multiple Choice

**October/November 2012**

**1 hour**

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

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**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.

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This document consists of **9** printed pages and **3** blank pages.



- 1 On 1 October Winston's assets totalled \$10 000 and his liabilities totalled \$3000.

On 2 October he paid \$190 to a creditor after deducting \$10 cash discount.

What was Winston's capital after the transaction on 2 October?

- A** \$6800                      **B** \$6810                      **C** \$6990                      **D** \$7010

- 2 What is the purpose of the double entry book-keeping system?

- A** to calculate the owner's capital  
**B** to ensure no transaction is omitted from the books  
**C** to prepare a bank reconciliation statement  
**D** to record both aspects of every transaction

- 3 Sue returned goods to Ana.

Which entries did Sue make in her books?

	debit entry		credit entry	
	account	ledger	account	ledger
<b>A</b>	Ana	general	purchases returns	purchases
<b>B</b>	Ana	purchases	purchases returns	general
<b>C</b>	purchases returns	general	Ana	purchases
<b>D</b>	purchases returns	purchases	Ana	general

- 4 Karim issued an invoice, a credit note and a receipt.

What has happened?

- A** Karim purchased goods and paid the supplier immediately.  
**B** Karim purchased goods on credit, made returns to the supplier and paid the balance due.  
**C** Karim sold goods and received immediate payment from the customer.  
**D** Karim sold goods on credit, received returns from the customer and received the balance due.

- 5 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 goods are received damaged.

- 6 Amina returned goods to Khalid.

Where will this transaction be recorded in Khalid's books?

	book of prime entry	account to be debited	account to be credited
<b>A</b>	purchases returns journal	Amina	purchases returns
<b>B</b>	purchases returns journal	purchases returns	Amina
<b>C</b>	sales returns journal	Amina	sales returns
<b>D</b>	sales returns journal	sales returns	Amina

- 7 On 1 October Wayne invoiced Mandy for goods, \$5000, less 20% trade discount. Mandy was also entitled to a cash discount of 5% if the balance was paid by 31 October. On 28 October Mandy sent Wayne a cheque for the amount due.

What entries will Wayne make on the debit side of his cash book on 28 October?

	discount allowed \$	bank \$
<b>A</b>	200	3800
<b>B</b>	250	3750
<b>C</b>	1200	3800
<b>D</b>	1250	3750

- 8 On 1 September Miriam's bank statement showed a credit balance of \$3000. She found that there was an unpresented cheque of \$360 and an uncredited deposit of \$780.

What was the balance shown in the cash book on 1 September?

- A** \$2580
- B** \$2580 overdrawn
- C** \$3420
- D** \$3420 overdrawn

- 9 At the end of Leroy's financial year it was decided that the balance on the telephone expenses account, \$340, should be split 90 % for business use and 10 % for personal use.

Which journal entry records the closing of the telephone expenses account at the end of the financial year?

		debit \$	credit \$
<b>A</b>	drawings income statement telephone expenses	34 306	340
<b>B</b>	drawings telephone expenses income statement	34 306	340
<b>C</b>	income statement drawings telephone expenses	340	34 306
<b>D</b>	telephone expenses drawings income statement	340	34 306

- 10 The following balances were extracted from Majid's purchases and sales ledgers.

Walid account     \$1500 debit  
 Xian account     \$1700 debit  
 Yu account       \$2300 credit  
 Zaid account     \$2700 credit

How much does Majid owe?

- A**   \$1800                **B**   \$3200                **C**   \$5000                **D**   \$8200
- 11 On which side of the following accounts would an entry be made to transfer the total of the account to the income statement at the end of the financial year?

	sales account		carriage inwards account		purchases returns account	
	debit	credit	debit	credit	debit	credit
<b>A</b>	✓		✓		✓	
<b>B</b>	✓			✓	✓	
<b>C</b>		✓	✓			✓
<b>D</b>		✓		✓		✓

**12** Which appear on the debit side of a trial balance?

- 1 assets
- 2 capital
- 3 expenses
- 4 revenue

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

**13** A trial balance fails to balance.

Which error caused this?

- A** A cheque, \$300, received from M. Green was entered on the credit side of the cash book and on the debit side of M. Green's account.
- B** Motor vehicle repairs, \$500, were entered in the motor vehicle account.
- C** Purchases of goods on credit from J. Black, \$750, were entered in J. Blackshaw's account.
- D** The sales journal was overcast by \$1000.

**14** A trader pays rent for premises.

How is the rent accrued at the end of the financial year shown?

	rent account	balance sheet
<b>A</b>	credit balance brought down	current asset
<b>B</b>	credit balance brought down	current liability
<b>C</b>	debit balance brought down	current asset
<b>D</b>	debit balance brought down	current liability

**15** Ajay maintains a provision for doubtful debts of 3 % of trade receivables.

On 1 January 2011, the balance on the provision for doubtful debts account was \$70. The trade receivables amounted to \$3500 on 31 December 2011.

Which entry would Ajay make on 31 December 2011?

	debit	credit
<b>A</b>	bad debts account	provision for doubtful debts account
<b>B</b>	income statement	provision for doubtful debts account
<b>C</b>	provision for doubtful debts account	trade receivables account
<b>D</b>	provision for doubtful debts account	income statement

**16** Which are revenue expenditure for a motor vehicle dealer?

- 1 advertising costs
- 2 extension to premises
- 3 purchase of cars for resale
- 4 purchase of cars for sales people

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

**17** A book-keeper opened a suspense account.

Which type of error had been made?

- A** addition
- B** commission
- C** omission
- D** principle

**18** A book-keeper made two errors.

Repairs to machinery were debited in the machinery account.

Purchase of a motor vehicle was debited in the purchases account.

How are the non-current assets in the balance sheet affected?

	machinery	motor vehicles
<b>A</b>	overstated	overstated
<b>B</b>	overstated	understated
<b>C</b>	understated	overstated
<b>D</b>	understated	understated

**19** Which is recorded on the credit side of a purchases ledger control account?

- A** cheques paid
- B** credit purchases
- C** discounts received
- D** returns outwards

- 20** The debit balance on the sales ledger control account on 1 August was \$8260.

The total of the sales journal on 31 August was \$26 840 and the total of the sales returns journal \$1220. The cash book for August showed receipts from credit customers of \$22 000.

What was the balance on the sales ledger control account on 31 August?

- A** \$2200                      **B** \$4640                      **C** \$11 880                      **D** \$14 320

- 21** On 1 January 2011 Kim's net assets totalled \$70 000. On 31 December 2011 they totalled \$55 000. During the year he had withdrawn \$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

- 22** On 30 September 2012 a business had an inventory of goods for re-sale which had cost \$23 000. This included goods costing \$1000 which were damaged and could only be sold for \$700, after paying re-packing costs of \$50.

At what value should inventory be shown in the balance sheet at 30 September 2012?

- A** \$22 000                      **B** \$22 250                      **C** \$22 650                      **D** \$22 700

- 23** Interest on capital and interest on drawings compensate which partner?

- A** one with higher capital and higher drawings.  
**B** one with higher capital and lower drawings.  
**C** one with lower capital and higher drawings.  
**D** one with lower capital and lower drawings.

- 24** Which may be included in an income and expenditure account?

- A** bad debts  
**B** opening balance on the bank account  
**C** purchase of equipment  
**D** subscriptions received for the following financial year

**25** What is a statement of affairs?

- A** a comparison of cash inflows and outflows for a specific period
- B** a comparison of revenues and expenses for a specific period
- C** a list of assets and liabilities at a specific date
- D** a list of trade receivables and trade payables at a specific date

**26** A limited company provided the following information.

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

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

What was the total of the retained earnings on 31 December?

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

**27** What is the main purpose of a clock card?

- A** to calculate the net pay
- B** to record the hours worked
- C** to show the social security number
- D** to state the gross pay

**28** Wang provided the following information.

	\$
revenue	32 000
cost of sales	20 000
opening inventory	7 000
closing inventory	5 000

What was the rate of inventory turnover?

- A** 1.67 times      **B** 2.67 times      **C** 3.33 times      **D** 5.33 times



- 29 A trader decided that all items of office equipment costing less than \$500 would be treated as office expenses in the year of purchase.

Which accounting principle is being applied?

- A going concern
- B historical cost
- C materiality
- D prudence

- 30 Waheda updated her information and communications technology equipment and sent her employees on a training course.

Applying the money measurement principle, which would **not** be recorded in Waheda's accounting records?

- A cost of paper and disks
- B cost of staff training
- C improvement of computer system
- D improvement of employees' knowledge





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