EXAMINATIONS COUNCIL OF ZAMBIA
Joint Examination for the School Certificate
and General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS

PAPER 1 Multiple Choice

Wednesday 3 NOVEMBER 2010 1 hour 15 minutes

Additional materials:
- Multiple Choice answer sheet
- Soft clean eraser
- Soft pencil (Type B or HB is recommended)

TIME 1 hour 15 minutes

INSTRUCTIONS TO CANDIDATES
Write your name, centre number and candidate number on the answer sheet in the spaces provided unless this has already been done for you.

There are forty (40) questions in 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 very carefully the instructions on the Answer Booklet.

INFORMATION FOR CANDIDATES
Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Calculators may be used.
Cell phones are not allowed in the examination room.
1 If assets equal to K100 000 000 and liabilities equal to K20 000 000, what is the net
worth of the business.
   A  K60 000 000.
   B  K80 000 000.
   C  K120 000 000.
   D  K40 000 000.

2 The concept which implies that the affairs of a business are to be treated as being quite
separate from non-business activities of its owner(s) is called ...
   A  money measurement concept.
   B  dual aspect concept.
   C  business entity concept.
   D  going concern concept.

3 Which one of the following will be shown as an Asset in the Balance Sheet.
   A  Bank overdraft.
   B  Salaries prepaid.
   C  Commission received in advance.
   D  Interest owing.

4 The total of the Discounts Allowed column in the Cash Book is posted to the ...
   A  credit of the Discount Allowed Account.
   B  debit of the Discount Allowed Account.
   C  credit of the Discount Received Account.
   D  debit of the Discount Received Account.

5 A provision for Bad and Doubtful debts is created ...
   A  to write off bad debts.
   B  when debtors cease to be in business.
   C  when debtors become bankrupt.
   D  to provide for possible bad debts.

6 Goods returned to our suppliers will be posted to ...
   A  Debtor's Account.
   B  Carriage Outwards Account.
   C  Returns Inwards Account.
   D  Returns Outwards Account.

7 In the Trial Balance, the balance on Provision for Depreciation Accounts is ...
   A  shown as a debt item.
   B  shown as a credit item.
   C  not shown, as it is part of depreciation.
   D  sometimes shown as a credit, sometimes as a debit.
8 Which one of the following increases Net Profit of a business?
A Sale of a Fixed Asset.
B Rent Prepaid.
C Discount Allowed.
D Bad Debts Recovered.

9 The purpose of the Subsidiary Books is to ...
A complete the double entry.
B provide an early record for business transactions.
C find the financial position of a business.
D prepare public records.

10 When a supplier discovers that he had over supplied a customer, he prepares a ...
A credit note.
B original invoice.
C debt note.
D suspense account.

11 ... relates to a credit item in the Cash Account of a trader’s Cash Book.
A Original receipt
B Copy receipt
C Original deposit slip
D Copy invoice

12 A computer costs K500 000 excluding V.A.T. If V.A.T. is at the rate of 10 percent, the price including V.A.T. will be ...
A K530 000.
B K570 000.
C K450 000.
D K550 000.

13 When Trade Discount and Cash Discount are offered, on which amount is the Cash Discount calculated?
A List price of goods bought.
B Cost price of goods bought.
C Net price of goods bought.
D Cash price.

14 Normally, goods and services are sold above cost price, the difference being ...
A loss.
B capital.
C profit.
D turnover.
15 Given the following figures: Purchases K6 400 000; Opening stock K1 300 000; Closing stock K900 000; Carriage inwards K200 000; Gross profit K1 200 000; calculate the figure for sales.
   A  K8 200 000.
   B  K7 000 000.
   C  K6 800 000.
   D  K6 200 000.

16 List the following in increasing order of liquidity: (i) Bank (ii) Stock (iii) Cash (iv) Debtors
   A  (ii), (iv), (iii), (i)
   B  (iii), (i), (iv), (ii)
   C  (iv), (ii), (i), (iii)
   D  (ii), (iv), (i), (iii)

17 A loss incurred on the disposal of plant and machinery should be ...
   A  debited to Plant and Machinery Account.
   B  debited to Provision for Depreciation Account.
   C  debited to Profit and Loss Account.
   D  credited to Profit and Loss Account.

18 A machine was purchased on 1st January 2008 for K1 250 000. Depreciation is charged at 20 percent per year using the reducing balance method. The financial year-end was 31st December. At 31st December 2010 the machine will have a written down value of ...
   A  K750 000.
   B  K512 000.
   C  K500 000.
   D  K640 000.

19 A debit balance brought down on a Stationery Account means ...
   A  owing for stationery.
   B  are owed for stationery.
   C  have lost money on stationery.
   D  have a stock of stationery unused.

20 A reduction in the provision for bad debts ...
   A  increases the profit of a business.
   B  decreases the profit of a business.
   C  increases the cash/bank balance.
   D  decreases the cash/bank balance.
21 On 20th November, 2009, the Accounts clerk discovered that sales of K250 000 had been posted to R Hatubotu’s account in error. The goods had been sold to J. Hamubotu on credit. Upon discovery of this error the journal entry was made as shown below:

Journal entry
DR J. Hamubotu       K250 000
CR R. Hatubotu       K250 000

Which one is the correct narration for this record?
A  Being sales overcast.
B  Being error of commission now corrected.
C  Being suspense accounts now opened.
D  Being error of omission now corrected.

22 A business does not consider depreciation on its fixed assets at year end. What is the effect of this omission?
A  Gross profit is overstated.
B  Profit is understated.
C  Resale value of the asset is overstated.
D  Resale value of the asset is understated.

23 A Bank Reconciliation Statement prepared starting with balance as per Bank Statement will show...
A  unpresented cheques added and uncredited deposits subtracted.
B  uncredited deposits added and unpresented cheques subtracted.
C  bank charges added and uncredited cheques subtracted.
D  credit transfers added and bank charges subtracted.

24 Which one should be recorded in the Bank Reconciliation Statement?
A  Bank charges.
B  Direct debts.
C  Standing orders.
D  Unpresented cheques.

25 When preparing a Control Account, the total of Returns Inwards for the month should be entered on the ...
A  debit side of Purchases Ledger Control Account.
B  credit side of Purchases Ledger Control Account.
C  debit side of Sales Ledger Control Account.
D  credit side of Sales Ledger Control Account.

Principles of Accounts/7110/1/22010 [Turn over
26 The total amount of discounts received entered in the Purchases ledger Control Account is obtained from ...
   A purchases journal.
   B returns outwards journal.
   C general journal.
   D cash book.

27 A club has a total membership of 50 and the annual subscription per member is K100 000. At the end of the year, the club's Cash Book shows that a total of K4 000 000 is received. How much is transferred to the Income and Expenditure Account?
   A K4 000 000.
   B K1 000 000.
   C K5 000 000.
   D K6 000 000.

28 The consolidated fund balance of a club at a specific date can be found by ...
   A balancing off a receipts and payments account.
   B preparing a statement of affairs.
   C preparing an income and expenditure account.
   D subtracting the surplus for the year from total assets.

29 Chalata and Company purchased an industrial sewing machine for the business. What expenditure is this?
   A Fixed expenditure.
   B Capital Expenditure.
   C Liabilities.
   D Fixed Assets.

30 Which one of the following calculations can be used to find the net profit figure where full double – entry book keeping records have not been kept?
   A Increase in value of capital less drawings.
   B Increase in value of capital add drawings.
   C This year's net assets, less last year's net assets.
   D Increase in bank balance.

31 Incomplete records are best described as records which ...
   A are not kept on a single entry book keeping system.
   B have been partly destroyed or lost.
   C show only the cash book.
   D are not maintained on the double entry system.
32 Profits of a partnership amounted to K3 280 000 before the following were taken into account:

(i) Interest on partner’s capital K180 000
(ii) Interest on drawings K20 000
(iii) Salary of one partner K1 000 000

How much profit will be available for appropriation to partners in their profit sharing ratio?
A K2 080 000.
B K2 100 000.
C K2 120 000.
D K2 440 000.

33 In partnership accounts, interest on drawings is ...
A added to capital account.
B credited to current account.
C added to profit for appropriation.
D not recorded at all.

34 Factory overhead expenses are made up of ...
A all direct factory costs.
B prime costs only.
C all indirect factory costs.
D all factory costs.

35 Where Capital Accounts of partners are fluctuating, interest on drawings is ...
A debited to Capital Accounts of partners.
B debited to Current Accounts of partners.
C credited to Capital Accounts of partners.
D credited to Current Accounts of partners.

36 The ‘share premium’ is the excess of ...
A authorised share capital over issued share capital.
B called up capital over paid up capital.
C profits over dividends.
D the issue price of shares over their nominal value.

37 Which one of the following is paid whether profit is made or not?
A Debenture interest
B Shares
C Dividends
D Reserves
38 Chabala K. Company Limited has a share capital of 4 000 5% preference shares of K5 000 each. The company made profit of K2 000 000 for the year ended 31st December, 2009. Find total dividends paid to preference shareholders.

   A  K20 000 000.
   B  K10 000 000.
   C  K1 000 000.
   D  K370 000.

39 Where common expenses are to be allocated to departments which require adjustments for accruals and prepayments, the most appropriate procedure is ...

   A  to do the adjustment and the apportionment simultaneously.
   B  to do the apportionment before the adjustment
   C  to do the adjustment before the apportionment.
   D  to start with either the adjustment or the apportionment depending on the circumstances.

40 If cost price is K120 000 and selling price is K150 000, then ...

   A  margin is 25 per cent.
   B  mark up is 25 per cent.
   C  margin is 33 ½ per cent.
   D  mark up is 20 per cent.