EXAMINATIONS COUNCIL OF ZAMBIA

Examination for General Certificate of Education Ordinary Level

Principles of Accounts 7110/1

Paper 1

Monday 24 JULY 2017

Additional Material(s):
Multiple choice answer sheet

Time: 1 hour

Instructions to Candidates

1. Write your name, centre number and candidate number on the Answer Sheet in the spaces provided unless this has already been done for you.
2. You are required to use a soft pencil (Type B or HB is recommended) and a soft clean eraser.
3. 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 the instructions on the Answer Sheet very carefully.

Information for Candidates

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.

Non-programmable Calculators may be used.

Cell phones are not allowed in the examination room.

©ECZ/GCE/2017/A4 This question paper consists of 8 printed pages
1. The main purpose of accounting is to ...  
   A. extract a Trial Balance.  
   B. manage the business.  
   C. keep accurate book-keeping records.  
   D. complete double entry system.

2. According to the business entity assumption the business is different from the ...  
   A. banker.  
   B. customers.  
   C. government.  
   D. owners.

3. Mwamba exchanged salt for sugar. What type of transaction is this?  
   A. Bank  
   B. Barter  
   C. Cash  
   D. Credit

4. Which one of the following is a credit transaction?  
   A. Purchase of goods for cash.  
   B. Buying goods paying by cheque.  
   C. Buying goods paying in 30 days time.  
   D. An exchange of goods for goods.

5. If debtors are overcharged on the invoice, which document is sent to them to adjust the amount?  
   A. Credit Note  
   B. Debit Note  
   C. Purchase Invoice  
   D. Sales Invoice

6. The books of Prime Entry may also be called ... Books.  
   A. Cash  
   B. Bank  
   C. Ledger  
   D. Subsidiary

7. What would be the correct double entry to record commission received by cheque?  

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Account</td>
<td>Commission Received Account</td>
</tr>
<tr>
<td>Bank Account</td>
<td>Commission Received Account</td>
</tr>
<tr>
<td>Capital Account</td>
<td>Commission Received Account</td>
</tr>
<tr>
<td>Commission Received Account</td>
<td>Bank Account</td>
</tr>
</tbody>
</table>

Principles of Account/11/01/2017
8 What do we record in Nominal Accounts? Accounts for ...
   A assets.
   B customers.
   C expenses.
   D suppliers.

9 Which one of the following is not a type of Ledger?
   A Journal Ledger
   B General Ledger
   C Purchases Ledger
   D Sales Ledger

10 ... Accounts are found in the Sales Ledger.
   A Fictitious
   B Nominal
   C Personal
   D Real

11 A business prepares a Trial Balance to ...
   A calculate the profit and loss.
   B show the financial position.
   C check the arithmetical accuracy of the ledger.
   D check the cash and bank balances.

12 The following Trial Balance was prepared by an inexperienced Book-keeper:
   Trial Balance as at 30 June 2015

<table>
<thead>
<tr>
<th></th>
<th>Dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(K)</td>
<td>(K)</td>
</tr>
<tr>
<td>Opening stock</td>
<td></td>
<td>1 000</td>
</tr>
<tr>
<td>Purchases</td>
<td>5 000</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Drawings</td>
<td></td>
<td>2 200</td>
</tr>
<tr>
<td>Purchases returns</td>
<td>1 500</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>8 000</td>
<td></td>
</tr>
<tr>
<td>Sales returns</td>
<td></td>
<td>800</td>
</tr>
</tbody>
</table>

   Totals
<table>
<thead>
<tr>
<th>Dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15 000</td>
</tr>
</tbody>
</table>

   Using the above information, redraft the Trial Balance to show the correct totals.

<table>
<thead>
<tr>
<th></th>
<th>Dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(K)</td>
<td>(K)</td>
</tr>
<tr>
<td>A</td>
<td>7 300</td>
<td>7 300</td>
</tr>
<tr>
<td>B</td>
<td>3 000</td>
<td>3 000</td>
</tr>
<tr>
<td>C</td>
<td>13 800</td>
<td>13 800</td>
</tr>
<tr>
<td>D</td>
<td>9 500</td>
<td>9 500</td>
</tr>
</tbody>
</table>

Principles of Account/7110/1/2017
13 Given that fixed assets are K330 000; current assets K280 000 and current liabilities K180 000, what are the net assets?
   A  K 610 000
   B  K 100 000
   C  K 790 000
   D  K 430 000

14 Carriage inwards can be defined as ...
   A  cost of goods sold.
   B  expenses incurred on purchases.
   C  transport charges on purchases.
   D  transport charges on sales.

15 The main aim for preparing a Balance Sheet is to show ...
   A  value of current assets.
   B  value of current liabilities.
   C  the authenticity of the accounting equation.
   D  the list of cash, bank, debtors and stock balances.

16 A machine was purchased on 1st January 2016 for K6,000 and had a scrap value of K1000. The life of the asset was 5 years under the straight line method. What will be the depreciation charge for the year ended 31 December 2016?
   A  K  700
   B  K 1 000
   C  K 1 700
   D  K 2 000

17 Depreciation is defined as the ...
   A  amount spent to buy a fixed asset.
   B  salvage value of a fixed asset.
   C  cost of a fixed asset consumed during its period of use.
   D  amount of money spent on replacing assets.

18 Which one of the following errors is not revealed by the Trial Balance? Error of ...
   A  undercast.
   B  reversal of entries.
   C  overcast.
   D  over valuing of stock.

19 Compensating errors are errors ...
   A  where an entry has been omitted.
   B  which compensate or cancel each other.
   C  made in the ledger.
   D  made in the subsidiary books.
20 At the end of the financial year, it was discovered that the Purchases Returns Account had been undercast by K50. A Suspense Account was opened.

Which entries are required to correct this error?
A Credit Purchases Account, K50
   Debit Purchases Returns Account, K50
B Credit Suspense Account, K50
   Debit Purchases Returns Account, K50
C Debit Purchases Account, K50
   Credit Purchases Returns Account, K50
D Debit Suspense Account, K50
   Credit Purchases Returns Account, K50

21 A Bank Reconciliation Statement is prepared to ...
A check the arithmetical accuracy of our work.
B verify the cash book balance and bank statement balance
C show unpresented cheques lodged with the bank.
D show uncredited cheques lodged with the bank.

22 Which one of the following is correct about a Bank Reconciliation Statement?
It is ...
A part of the double entry accounting records.
B not part of the double entry accounting records.
C prepared by a firm and sent to its bank.
D posted to the Nominal Ledger.

23 The total amount of discount received entered in the Purchases Ledger Control Account is obtained from the ...
A Cash Book.
B General Ledger.
C Purchases Journal.
D Petty Cash Book.

24 A … Account is an account in the General Ledger that provides a summary of Debtors and Creditors Ledger.
A Bank
B Control
C Profit and Loss
D Trading

25 Which one of the following is not an item of the Receipts and Payments Account?
A Cheques paid out during the year
B Bank balances
C Receipts from sale of assets
D The Accumulated Fund
26 From the following information calculate the amount to be taken to the Income and Expenditure Account.

**SUBSCRIPTIONS RECEIVED**

<table>
<thead>
<tr>
<th></th>
<th>Dr (K)</th>
<th>Cr (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>b/f</td>
<td>1 400</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>1 400</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>14 350</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>1 200</td>
</tr>
<tr>
<td>Income and Expenditure</td>
<td></td>
<td>?</td>
</tr>
<tr>
<td>Balance</td>
<td>c/d</td>
<td>13 750</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16 950</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16 950</td>
</tr>
<tr>
<td>Balance</td>
<td>b/d</td>
<td>13 750</td>
</tr>
</tbody>
</table>

A 1, 100
B 1, 700
C 1, 800
D 1, 080

27 Which one of the following 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

28 Expenditure which is not spent on increasing value of fixed assets, but on running the business on a day-to-day basis is known as ...
A Capital Expenditure.
B Interest Paid.
C Revenue Expenditure.
D Revenue Receipt.

29 Traders who do not keep double entry records maintain ...
A single entry records.
B petty cash entry records.
C general journal records.
D cash book records.

30 Which one of the following items is used in sales calculation for single entry organizations?
A Discount received
B Cash payment to creditors
C Discount allowed
D Returns outwards
31 In the absence of drawings and additional capital, capital at the end less capital at start is equal to ...
   A gross worth.
   B gross profit.
   C net profit.
   D net worth.

32 Where there is no partnership agreement the profits and losses must be shared ...
   A in the same proportion as capital.
   B equally among the partners.
   C after adjusting for interest on capital.
   D in the same proportion as drawings.

33 Partnership formation must be formed by ...
   A partnership deed.
   B agreement in writing.
   C verbal agreement.
   D articles of association.

34 The final figure produced in the Manufacturing Account and transferred to the trading account is called ...
   A direct cost.
   B production cost.
   C prime cost.
   D indirect cost.

35 Work in Progress refers to ...
   A goods whose production process is not complete.
   B goods for resale.
   C services whose production process is not complete.
   D goods sold on credit.

36 Calculate the cost of Raw Materials Consumed from the following information:

\[
\begin{array}{|l|c|}
\hline
\text{K} & \\
\hline
\text{Purchases} & 202\,000 \\
\text{Opening stock} & 8\,000 \\
\text{Direct wages} & 40\,000 \\
\text{Closing stock} & 10\,000 \\
\text{Depreciation of plant machinery} & 30\,000 \\
\hline
\end{array}
\]

   A K210,000
   B K270,000
   C K240,000
   D K200,000
37 Which one of the following is not a characteristic of accountability?
   A Accounting for one's actions and results
   B Letting one's actions rise above their excuses
   C Responsibility to perform a specific function
   D Respecting the confidentiality of information

38 Which one of the following is not an ethical practice in an organization?
   A Disciplin
   B incompetency
   C Integrity
   D Trustworthy

39 The amount a trader adds to his/ her selling price is known as ...
   A margin
   B mark-up
   C net profit
   D turnover

40 The formula for calculating the current ratio is ...
   A \( \frac{\text{Gross Profit}}{\text{sales}} \times 100 \)
   B \( \frac{\text{Net Sales}}{\text{Capital}} \times 100 \)
   C \( \frac{\text{Current Assets}}{\text{Current Liabilities}} \)
   D \( \frac{\text{Current Liabilities}}{\text{Current Assets}} \)
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