



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 2013**

**1 hour**

Additional Materials:      Multiple Choice Answer Key  
                                         Soft clean eraser  
                                         Soft pencil (type B and 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 What is a benefit of using computers in book-keeping and accounting?
- A** Anyone with a computer can access the information.
- B** It is cheap to install.
- C** Large quantities of information can be stored.
- D** Staff require special training.

- 2 Zafar returned goods bought on credit from Khalid.

How was this recorded in Zafar's books?

	account to be debited	account to be credited
<b>A</b>	Khalid	purchases returns
<b>B</b>	Khalid	sales returns
<b>C</b>	purchases returns	Khalid
<b>D</b>	sales returns	Khalid

- 3 In which book is a credit note from a supplier entered?

- A** purchases journal
- B** purchases returns journal
- C** sales journal
- D** sales returns journal

- 4 Sabena bought goods from Yasmin for \$150 and received a 10% trade discount.

How should Yasmin record this transaction?

	debit	\$	credit	\$
<b>A</b>	purchases	135	Yasmin	135
<b>B</b>	purchases	150	Yasmin	135
			discount received	15
<b>C</b>	Sabena	135	sales	135
<b>D</b>	Sabena	150	sales	150

5 Which is both a book of prime entry and a ledger account?

- A cash book
- B general ledger
- C sales journal
- D sales ledger control account

6 LWS Ltd expects to have a short-term financial crisis lasting for one month.

Which type of finance should be arranged?

- A bank loan
- B bank overdraft
- C issue of debentures
- D issue of shares

7 A bank statement showed a balance at bank of \$3200. The value of unpresented cheques was \$1200 and the value of uncredited deposits was \$700.

What was the debit balance in the cash book?

- A \$1300                      B \$2700                      C \$3700                      D \$5100

8 Which journal entry records the transfer of the profit for the year, \$10000, to a sole trader's capital account?

		Dr \$	Cr \$
<b>A</b>	appropriation capital	10 000	10 000
<b>B</b>	capital appropriation	10 000	10 000
<b>C</b>	capital income statement	10 000	10 000
<b>D</b>	income statement capital	10 000	10 000

9 During its first month of trading, a business had the following transactions.

	\$
credit sales	16 000
cash sales	3 000
goods returned by credit customers	500
cash received from credit customers	14 100
cash discounts allowed	650

How much did the credit customers owe the business at the end of the month?

- A** \$750      **B** \$1400      **C** \$2050      **D** \$3750

10 The following rent account appeared in Dixon's ledger.

2012		Dr \$	Cr \$	balance \$
Jan 1	balance			1 000 Dr
Jan 30	bank	3 000		4 000 Dr
May 27	bank	3 000		7 000 Dr
Oct 26	bank	3 200		10 200 Dr
Dec 31	income statement		12 600	2 400 Cr

Which statement is correct?

- A** Dixon always pays his rent in advance.  
**B** Dixon always pays his rent in arrears.  
**C** Dixon both pays and receives rent.  
**D** Dixon sometimes pays his rent in arrears.

11 Why does a business prepare a trial balance?

- A** to calculate the profit or loss  
**B** to check the arithmetical accuracy of the ledger  
**C** to check the cash and bank balances  
**D** to show the financial position of the business

- 12 Wayne rents premises. The monthly rent is \$400.

On 1 April 2012 Wayne had prepaid one month's rent. During the year ended 31 March 2013 he paid rent totalling \$3200.

Which entry would Wayne make at the end of his financial year on 31 March 2013?

	debit	\$	credit	\$
<b>A</b>	income statement	3200	rent account	3200
<b>B</b>	income statement	3600	rent account	3600
<b>C</b>	income statement	4400	rent account	4400
<b>D</b>	income statement	4800	rent account	4800

- 13 During the year CN Ltd wrote off an unpaid invoice of \$540.

Which entries should CN Ltd make at the end of the financial year?

	debit	credit
<b>A</b>	bad debts	customer
<b>B</b>	bad debts	income statement
<b>C</b>	customer	bad debts
<b>D</b>	income statement	bad debts

- 14 Which is a capital receipt for Susan who owns a shoe shop?

- A** purchase of shoes by cheque
- B** purchase of shop fittings by cheque
- C** sale of old shop fittings for cash
- D** sale of shoes for cash

- 15 Capital expenditure is treated in error as revenue expenditure.

What effect will this have?

- A** The balance sheet will not balance.
- B** The expenses will be overstated.
- C** The expenses will be understated.
- D** The trial balance will not balance.

- 16 Imran depreciates his machinery at 20% per annum using the diminishing (reducing) balance method. His financial year ends on 31 July. On 1 August 2012 his ledger showed the following.

	\$
machinery at cost	20 000
provision for depreciation of machinery	7 200

Which journal entry records the depreciation on machinery for the year ended 31 July 2013?

		Dr \$	Cr \$
<b>A</b>	income statement provision for depreciation of machinery	1440	1440
<b>B</b>	income statement provision for depreciation of machinery	2560	2560
<b>C</b>	provision for depreciation of machinery depreciation of machinery	1440	1440
<b>D</b>	provision for depreciation of machinery depreciation of machinery	2560	2560

- 17 A machine was purchased for \$100 000 and depreciated by 20% per annum using the straight line method. Three years later it was sold for \$25 000.

What was the profit or loss on sale?

- A \$15 000 loss
- B \$25 000 profit
- C \$26 200 loss
- D \$35 000 profit

- 18 Expenses accrued, \$250, were treated as a prepayment in the income statement.

What effect did this have on the profit for the year?

- A overstated by \$250
- B overstated by \$500
- C understated by \$250
- D understated by \$500

- 19 Which would be included in a sales ledger control account?
- A cash discount allowed  
 B interest charged by creditors  
 C purchase returns  
 D trade discount received
- 20 Tim's gross profit was \$32 000. Opening inventory was \$8 000, purchases were \$52 000 and closing inventory was \$10 000.
- How much were the sales?
- A \$18 000      B \$50 000      C \$82 000      D \$102 000
- 21 What is added to owner's capital to calculate capital employed?
- A current assets  
 B current liabilities  
 C non-current assets  
 D non-current liabilities

- 22 Rashid runs an advertising agency. He provided the following information.

	\$
Amount owed by clients at start of year	100
Amount received from clients during the year	10 000
Amount prepaid by clients at end of year	300

How much would be entered in the income statement for the year?

- A \$9600      B \$9800      C \$10 200      D \$10 400
- 23 At the end of the financial year, a trader is owed commission.

How will this be treated in the trader's financial statements?

	income statement	balance sheet
<b>A</b>	increase expenses	increase assets
<b>B</b>	increase expenses	increase liabilities
<b>C</b>	increase income	increase assets
<b>D</b>	increase income	increase liabilities

24 At the end of a club's financial year, some members' subscriptions were unpaid.

Where would these unpaid subscriptions appear in the club's financial statements?

	receipts and payments account	income and expenditure account	balance sheet
<b>A</b>		✓	✓
<b>B</b>	✓	✓	✓
<b>C</b>	✓	✓	
<b>D</b>	✓		✓

25 A trader's sales were \$300 000. The mark-up was 25%.

What was the cost of sales?

- A** \$60 000      **B** \$75 000      **C** \$225 000      **D** \$240 000

26 Which does **not** appear in the appropriation account of a limited company?

- A** directors' salaries  
**B** dividends paid on ordinary shares  
**C** proposed ordinary share dividend  
**D** retained profits

27 Which is a direct cost to a manufacturer?

- A** factory cleaner's wages  
**B** factory supervisor's salary  
**C** machine operator's wages  
**D** salesman's commission

28 Which will improve the gross profit as a percentage of sales?

- A** increasing expenses  
**B** increasing selling price  
**C** reducing expenses  
**D** reducing selling price

29 Fatima provided the following information.

	\$
opening inventory	30 000
closing inventory	45 000
purchases	200 000

What was the rate of inventory turnover?

- A 0.19 times
- B 0.20 times
- C 4.93 times
- D 5.33 times

30 Some items have such a low monetary value that it is not worth recording them separately.

Which accounting principle is being applied?

- A going concern
- B historical cost
- C materiality
- D money measurement





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