



PRINCIPLES OF ACCOUNTS

7110/11

Paper 1 Multiple Choice

October/November 2019

1 hour

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



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 **9** printed pages and **3** blank pages.

- 1 Which task would be carried out by a book-keeper?
- A** comparison of financial statements between years
B preparation of financial statements
C provision of information for decision-making
D recording financial transactions
- 2 Why does the owner of a business calculate profit?
- A** to find the return on capital
B to find the total expenses
C to know how much he can borrow from the bank
D to know the loan interest he can afford to pay
- 3 A trader provided the following information.

	\$
trade payables	2990
trade receivables	3120
bank	230 credit
bank loan	5000
commission receivable accrued	110
rent receivable prepaid	140
wages accrued	440

What was the total of the liabilities?

- A** \$8570 **B** \$8660 **C** \$8680 **D** \$8800
- 4 A trader purchased a motor vehicle for his business using a cheque from his personal bank account.

How was this recorded in the books of the business?

	account to be debited	account to be credited
A	bank	motor vehicles
B	capital	motor vehicles
C	motor vehicles	bank
D	motor vehicles	capital

5 Which document will a customer issue to inform a supplier of an overcharge?

- A credit note
- B debit note
- C invoice
- D statement of account

6 Which book of prime (original) entry is used to record discount received?

- A cash book
- B purchases journal
- C sales journal
- D sales returns journal

7 A trader is preparing to draw up a bank reconciliation statement.

How should the bank interest received be treated?

- A entered on the credit side of the cash book
- B entered on the debit side of the cash book
- C included in the amounts not yet credited in the bank reconciliation statement
- D included in the unpresented cheques in the bank reconciliation statement

8 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 \$
A	drawings income statement telephone expenses	34 306	340
B	drawings telephone expenses income statement	34 306	340
C	income statement drawings telephone expenses	340	34 306
D	telephone expenses drawings income statement	340	34 306

- 9 The following account appeared in Amna's ledger.

Syed account				
date	details	debit \$	credit \$	balance \$
Sept 1	balance b/d			400 dr
14	sales	600		1000 dr
26	bank		390	610 dr
26	discount		10	600 dr

Which statement is correct?

- A** On 1 September Amna owed Syed \$400.
B On 14 September Syed purchased goods, \$600, on credit from Amna.
C On 26 September Amna paid Syed \$390 by cheque.
D On 26 September Syed allowed \$10 cash discount to Amna.
- 10 A purchase of furniture was debited to the office stationery account.

What type of error was made?

- A** commission
B compensating
C omission
D principle
- 11 Javed wishes to write off a debt owed by Carl, a credit customer.

Which entries would Javed make?

	debit	credit
A	bad debts account	Carl account
B	bad debts account	income statement
C	Carl account	bad debts account
D	income statement	bad debts account

12 Zafar maintains a provision for doubtful debts of 2% of trade receivables.

On 1 January 2018 the provision was \$200.

On 31 December 2018 the trade receivables amounted to \$12 000.

Which journal entry records the transfer to the income statement on 31 December 2018?

		debit \$	credit \$
A	income statement provision for doubtful debts	40	40
B	income statement provision for doubtful debts	240	240
C	provision for doubtful debts income statement	40	40
D	provision for doubtful debts income statement	240	240

13 Sales returns were incorrectly recorded as purchases returns in an income statement.

What was the **effect** of this error?

- A** Capital employed was understated.
- B** Cost of sales was overstated.
- C** Gross profit was understated.
- D** Profit for the year was overstated.

14 Would the following be classified as a capital receipt or a revenue receipt?

the proceeds received from the sale of the delivery van

the profit made on the sale of the delivery van

the proceeds of sale of the owner's private car paid into the business bank account

	sale of delivery van	profit on sale of delivery van	sale of owner's car
A	capital	revenue	revenue
B	capital	revenue	capital
C	revenue	capital	revenue
D	revenue	capital	capital

- 15** After the preparation of Abdul's draft financial statements two errors were discovered. The purchase of a machine on credit, \$5000, was omitted from the accounts. The purchase of a motor vehicle, \$15 000, was entered in error in the motor vehicle repair account.

What effect will **correcting** these errors have on the non-current assets and the working capital?

	non-current assets	working capital
	\$	\$
A	increase 15 000	decrease 5000
B	increase 15 000	no effect
C	increase 20 000	decrease 5000
D	increase 20 000	no effect

- 16** What are advantages of maintaining control accounts?

- 1 They act as a deterrent against fraud as they provide an independent check.
- 2 They ensure all errors are discovered in the purchases and sales ledgers.
- 3 They provide totals of trade payables and trade receivables.

A 1 and 2 only **B** 1 and 3 only **C** 1, 2 and 3 **D** 2 and 3 only

- 17** Carlos is preparing his sales ledger control account.

Where will he obtain information about contra entries?

- A** cash book
B general journal
C purchases ledger
D sales ledger

- 18** Julie bought goods from a supplier for \$650. She also paid \$75 to have the goods delivered. The goods are expected to be sold for \$825.

At which value should these goods be included in Julie's year-end inventory?

A \$650 **B** \$725 **C** \$825 **D** \$900

19 On 1 April 2018 a trader paid an annual insurance premium of \$1800.

Which entry will be recorded in the trader's statement of financial position at 31 December 2018?

- A other payables \$450
- B other payables \$1350
- C other receivables \$450
- D other receivables \$1350

20 What is a disadvantage to a sole trader forming a partnership with another trader?

- A Losses will be shared.
- B More capital will be available.
- C Profits will be shared.
- D Risks will be shared.

21 Sara and Fatima are in partnership. Sara is entitled to a partnership salary of \$30 000 per annum and the balance of the profit is shared equally.

The profit for the year was \$180 000.

What was Sara's total income from the business?

- A \$75 000
- B \$90 000
- C \$105 000
- D \$120 000

22 What will **not** appear in the financial statements of a club?

- A accumulated fund
- B drawings
- C prepaid subscriptions
- D surplus of income over expenditure

23 A sports club provided the following information.

	\$
subscriptions received during the year	12 000
subscriptions owing at the start of the year	1 200
subscriptions owing at the end of the year	800

What was the amount of subscriptions shown in the income and expenditure account?

- A \$11 600
- B \$12 400
- C \$12 800
- D \$13 200

24 Anita provided the following information for the year.

	\$
sales	70 000
profit for the year	7 000
expenses	26 000
opening inventory	2 000
closing inventory	6 000

What were the purchases?

- A** \$33 000 **B** \$37 000 **C** \$41 000 **D** \$47 000

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 The following items appeared in the statement of financial position of a limited company.

- 1 debentures
- 2 general reserve
- 3 ordinary share capital
- 4 retained earnings

Which form part of the equity of the company?

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

27 A company had retained earnings of \$3600 on 1 July 2018. The profit for the year ended 30 June 2019 was \$20 000.

An interim ordinary share dividend of \$2000 was paid and a transfer was made to general reserve.

The retained earnings on 30 June 2019 amounted to \$15 600.

How much was transferred to general reserve?

- A** \$2400 **B** \$4400 **C** \$6000 **D** \$18000

28 A manufacturer provided the following information.

	\$
prime cost of manufacturing	81 200
factory overheads	63 200
opening work in progress	8 500
closing work in progress	10 300
distribution costs	10 600
loan interest	4 200

What was the cost of production?

- A** \$142 600 **B** \$146 200 **C** \$157 400 **D** \$167 700

29 Which are used to record the number of hours worked by an employee?

- A** clock card and payslip
B clock card and time sheet
C payslip and time sheet
D wages sheet and clock card

30 A trader provided the following information.

	\$
trade receivables	12 000
trade payables	8 000
inventory	15 000
cash	100
bank	2 000 credit

What was the current ratio?

- A** 1.21:1 **B** 1.65:1 **C** 2.71:1 **D** 3.64:1

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