

- 1 A business has the following assets and liabilities.

	\$
buildings	30 000
plant and machinery	10 000
creditors	5 000
debtors	7 000
prepayments	100
bank overdraft	8 000

What is the capital?

- A** \$29 900 **B** \$33 900 **C** \$34 100 **D** \$49 900
- 2 A business purchases a motor vehicle on credit.

What is the effect of this?

- A** It increases fixed assets.
B It increases owner's capital.
C It reduces net profit.
D It reduces the bank balance.
- 3 Why is a balance sheet prepared?
- A** to show debtors and creditors at a certain date
B to show how much profit a business made
C to show the financial position of a business at a certain date
D to show the total debits equal the total credits
- 4 A sole trader makes a gross profit in a financial year.

Where is this shown in his final accounts?

	trading account	profit and loss account	balance sheet
A	✓		✓
B		✓	✓
C	✓	✓	
D	✓	✓	✓

5 Anna provides the following information.

	\$
sales	40 000
cost of sales	25 000
net profit	7 000

What are Anna's expenses?

- A** \$8000 **B** \$15 000 **C** \$18 000 **D** \$22 000

6 Each financial transaction has two opposite accounting entries.

Which accounting principle is being described?

- A** business entity
B duality
C going concern
D money measurement

7 Which is **not** shown in a business's final accounts?

- A** cost of staff training courses
B improved knowledge of staff
C increase in sales staff bonuses
D staff holiday pay

8 Revenue is recognised as being earned when ownership of goods passes to the customer.

Which accounting principle is being described?

- A** duality
B matching
C prudence
D realisation

9 What is the meaning of the consistency principle?

- A** Accounts should provide for all accruals and prepayments.
B All businesses in the same industry should account for items in the same way.
C Businesses should not normally change the way in which they treat items.
D Losses should be provided for as soon as they are foreseen.

10 A customer who bought goods on credit returns some of them to the supplier.

Which document will the customer send to the supplier?

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

11 A credit note for \$600 issued to a customer has been entered as an invoice for goods sold. The balance on the customer's account after this entry is \$14 200.

What is the correct balance on the customer's account?

- A \$13 000 B \$13 600 C \$14 800 D \$15 400

12 Tony paid a cheque for \$3250 to James in full settlement of a debt for \$3400.

How will James record this transaction?

	debit	\$	credit	\$
A	bank discount allowed	3250 150	Tony	3400
B	Tony	3400	bank discount allowed	3250 150
C	bank discount received	3250 150	Tony	3400
D	Tony	3400	bank discount received	3250 150

- 13 A business buys a computer on credit from Alpha Computers for \$1000.

Which journal entry will record this?

		dr \$	cr \$
A	Alpha Computers computer equipment	1000	1000
B	computer equipment Alpha Computers	1000	1000
C	computer equipment purchases	1000	1000
D	purchases computer equipment	1000	1000

- 14 Fred keeps a petty cash book on the imprest system with an imprest of \$200. The book is balanced monthly and the imprest is restored on the first day of the following month.

Fred's petty cash expenses for June totalled \$175.

Which entries record restoration of the imprest on 1 July?

	debit	\$	credit	\$
A	cash book	175	petty cash book	175
B	petty cash book	175	cash book	175
C	cash book	200	petty cash book	200
D	petty cash book	200	cash book	200

- 15 On 1 September a trader purchased on credit goods with a list price of \$1000. He was given a trade discount of 20 % and was allowed a cash discount of 5 % provided the account was paid in 30 days.

How much would the trader pay to the supplier on 28 September?

- A** \$750 **B** \$760 **C** \$800 **D** \$950

16 Amy is a trader. She withdrew cash from the business bank account for personal use.

How will this transaction be recorded?

	account to be debited	account to be credited
A	bank	cash
B	cash	bank
C	bank	drawings
D	drawings	bank

17 Where should the total of the purchases returns journal be posted?

- A** credit side of the cash book
- B** credit side of the purchases returns account
- C** debit side of the purchases returns account
- D** debit side of the trading account

18 Which entry records a sale of goods on credit to Tahir?

	nominal ledger		sales ledger	
A	debit	cash account	credit	sales account
B	credit	sales account	debit	cash account
C	credit	sales account	debit	Tahir account
D	debit	Tahir account	credit	sales account

19 Why is a trial balance prepared?

- A** to calculate net profit
- B** to check the amount of the owner's capital
- C** to check the arithmetical accuracy of the double entry
- D** to find out how much is owed to creditors

- 20 How would the totals of the discount allowed and discount received accounts be recorded in a trial balance?

	debit	credit
A	discount allowed	discount received
B	discount received	discount allowed
C	discount allowed discount received	– –
D	– –	discount allowed discount received

- 21 The cost of a new motor vehicle is debited to the motor vehicle expenses account.

Which type of error is this?

- A** commission
B complete reversal
C original entry
D principle
- 22 Rent received, \$100, has been debited to rent paid account and credited to cash account.

What is the correcting entry?

	account to be debited	\$	account to be credited	\$
A	cash	100	rent received	100
B	cash	200	rent paid rent received	100 100
C	rent paid rent received	100 100	cash	200
D	rent paid	100	rent received	100

23 What is true about a bank reconciliation statement?

	prepared by the bank	prepared by the trader	part of double entry book-keeping
A	no	yes	yes
B	yes	no	yes
C	yes	no	no
D	no	yes	no

24 The following information relates to a business on 31 October.

	\$
bank account balance in cash book	1600 debit
unpresented cheques	680
amount not yet credited by bank	560

What is the balance on the bank statement at 31 October?

- A** \$360 **B** \$1480 **C** \$1720 **D** \$2840

25 At the end of Zara's financial year her tenant owed one month's rent.

How will this be shown in Zara's final accounts?

	profit and loss account		balance sheet	
	expense	revenue	asset	liability
A	✓			✓
B		✓		✓
C	✓		✓	
D		✓	✓	

26 The following information is taken from the electricity account of a business.

	\$
owing on 1 January 2007	500
paid during the year	4500
owing on 31 December 2007	600

How much should be charged to the profit and loss account for the year ended 31 December 2007?

- A** \$4400 **B** \$4500 **C** \$4600 **D** \$5600

27 A trader provides the following information.

	\$
purchase cost of premises	100 000
legal fees on purchase of premises	4 000
cost of extension to premises	15 000

How much is recorded in the premises account?

- A** \$100 000 **B** \$104 000 **C** \$115 000 **D** \$119 000

28 A machine costing \$10 000 has an estimated life of 4 years. It is to be depreciated at 40 % per annum using the reducing balance method.

What is the charge for depreciation in the second year?

- A** \$2400 **B** \$2500 **C** \$4000 **D** \$6400

29 In connection with stock valuation, what is meant by 'net realisable value'?

- A** selling price
B selling price minus estimated profit
C selling price minus estimated trade discount
D selling price minus selling expenses

30 What is net profit?

- A** income less cost of sales
B income less expenses
C purchases less cost of sales
D purchases less expenses

31 What does **not** appear in a profit and loss account?

- A carriage inwards
- B carriage outwards
- C discount allowed
- D discount received

32 At the end of her financial year a trader has prepaid insurance by \$40.

What adjustments should the trader make in preparing her final accounts?

		\$		\$
A	decrease expenses	40	increase current assets	40
B	decrease expenses	40	increase current liabilities	40
C	increase expenses	40	increase current assets	40
D	increase expenses	40	increase current liabilities	40

33 Which should be entered in the appropriation account of a partnership?

	interest on partners' capital	interest on partners' loans	partners' drawings
A	✓		
B	✓		✓
C	✓	✓	
D		✓	✓

34 A trader supplies the following information.

	\$
capital at start of the year	30 000
capital at end of the year	50 000
drawings during the year	12 000
additional capital introduced during the year	18 000

What is the net profit for the year?

- A** \$10 000
- B** \$14 000
- C** \$20 000
- D** \$26 000

35 Elizabeth started a business on 1 January but did not maintain any accounting records.

Which will **not** be included in a calculation to find credit sales for her first year of trading?

- A amount owing by debtors at year end
- B bad debts written off during the year
- C cheques received from credit customers during the year
- D goods returned to suppliers during the year

36 A business provides the following information.

	\$
motor vehicles	80 000
goodwill	50 000
premises	200 000
stock	15 000
equipment	10 000

What is the total of tangible fixed assets?

- A \$280 000 B \$290 000 C \$340 000 D \$355 000

37 Which is a current liability of a cleaning business?

- A amounts owing by customers
- B cash at bank
- C stock of cleaning materials
- D unpaid staff wages

38 Which transaction affects the amount of working capital?

- A cash paid into bank
- B cash paid to a creditor
- C purchase of premises on credit
- D purchase of stock on credit

39 A trader provides the following information at the end of her financial year.

	\$
fixed assets	80 000
current assets	20 000
current liabilities	10 000
return on capital employed (ROCE) 15%	

What was her net profit for the year?

- A** \$10 500 **B** \$12 000 **C** \$13 500 **D** \$15 000

40 Two businesses, X and Y, are of a similar size and are in the same industry.

They provide the following information.

	X	Y
	%	%
gross profit as a percentage of sales	27	30
net profit as a percentage of sales	14	11

What does this show?

- A** X controlled expenses better than Y.
B Y controlled expenses better than X.
C X's sales were greater than Y's.
D Y's sales were greater than X's.