

- 1 A business provided the following information.

	\$
inventory	2880
bank overdraft	750
trade receivables	1600
trade payables	1950
loan from bank	2000
loan to employee	150
other payables	70
other receivables	130

What was the total of the liabilities?

- A \$4420 B \$4770 C \$4830 D \$4920
- 2 How should the owner of a business use his financial statements?
- A to calculate the cash drawings for the year
 - B to determine the amount due to trade payables
 - C to measure the change in the bank balance
 - D to monitor the progress of the business
- 3 Which item would be recorded by a credit entry in an account?
- A a decrease in capital
 - B a decrease in liabilities
 - C an increase in assets
 - D an increase in capital
- 4 Harvey bought goods on credit from Janet. The goods were unsuitable and Harvey returned them to Janet. Which document did Janet send to Harvey?
- A credit note
 - B debit note
 - C invoice
 - D statement of account

5 How are the totals of the sales journal and the purchases returns journal recorded in the ledger?

	total of sales journal	total of purchases returns journal
A	credit sales account	credit purchases returns account
B	credit sales account	debit purchases returns account
C	debit sales account	credit purchases returns account
D	debit sales account	debit purchases returns account

6 Which statement about a debit note is correct?

- A It is sent to a customer to request payment of an account.
- B It is sent to a customer when his order cannot be supplied in full.
- C It is sent to a supplier to order additional goods.
- D It is sent to a supplier when damaged goods are received.

7 Which will not appear in sales ledger control accounts?

- A Discount allowed
- B Interest charged on overdue accounts
- C Provision for doubtful debts
- D Sales return

8 Sally buys goods and is allowed a discount for early payment.

How does Sally record this discount?

	account to be debited	account to be credited
A	discount allowed	supplier
B	discount received	supplier
C	supplier	discount allowed
D	supplier	discount received

- 9 On 1 April a trader's cash book showed a debit balance of \$3204. No entry had been made in the cash book for bank charges of \$78. Deposits of \$288 had not been credited by the bank.

What was the credit balance on the bank statement on 1 April?

- A \$2838
- B \$2994
- C \$3414
- D \$3570

- 10 The following account appears in the ledger of Chan.

Fu account			
2015	\$	2015	\$
Aug 28 bank	100	Aug 1 balance b/d	100
31 balance c/d	<u>250</u>	12 purchases	<u>250</u>
	<u>350</u>		<u>350</u>

Which statement is correct?

- A On 1 August Chan is owed \$100 by Fu.
 - B On 12 August Fu purchased goods, \$250, from Chan.
 - C On 28 August Chan paid Fu \$100 by cheque.
 - D On 31 August Fu is a receivable of Chan for \$250.
- 11 An invoice for goods purchased on credit, \$100, was entered in the purchases journal as \$1000.

How will this affect the trial balance?

	Debit balances in trial balance	\$	credit balances in trial balance	\$
A	No effect	–	No effect	–
B	No effect	–	Trade payables overstated	900
C	Purchases overstated	900	no effect	–
D	Purchases overstated	900	Trade payables overstated	900

- 12 On 1 May, a trader's bank statement showed an overdraft of \$80.
The following were recorded in the cashbook but did not appear on the bank statement.

cheques not presented \$194 amounts not credited \$334

What was the balance in the cashbook on 1 May?

- A \$60 debit
B \$60 credit
C \$220 debit
D \$220 credit
- 13 On 1 January commission receivable, \$210, was outstanding. Commission received during the year amounted to \$4850.
Which journal entry would be made at the end of the financial year on 31 December?

		debit \$	Credit \$
A	commission receivable income statement	4640	4640
B	commission receivable income statement	5060	5060
C	income statement commission receivable	4640	4640
D	income statement commission receivable	5060	5060

- 14 A trader decides to change his provision for doubtful debts from 2% to 3% of trade receivables.
Which entry is made to record this?

	Debit	Credit
A	bad debts	income statement
B	income statement	bad debts
C	income statement	provision for doubtful debts
D	provision for doubtful debts	income statement

- 15 On 1 January a builder had tools valued at \$3100. During the year he purchased additional tools costing \$490 and tools valued at \$140 were scrapped. On 31 December the tools were valued at \$2750.

What was the depreciation for the year?

- A \$350 B \$490 C \$700 D \$840

- 16 Which journal entry records the annual depreciation of machinery of \$500?

		Dr \$	Cr \$
A	Income statement	500	
	Machinery		500
B	Income statement	500	
	provision for depreciation of machinery		500
C	provision for depreciation of machinery	500	
	depreciation of machinery		500
D	provision for depreciation of machinery	500	
	Machinery		500

- 17 At the end of financial year, Ryan had accrued motor expenses of \$200. How will this appear in Ryan's ledger and statement of financial position?

	Motor expenses account in the ledger	statement of financial position
A	credit balance brought down	current asset
B	credit balance brought down	current liability
C	debit balance brought down	current asset
D	debit balance brought down	current liability

- 18 Henri has charged Thibault interest on his overdue account.
Where does this interest appear in Thibault's control accounts?
- A on the credit side of the purchases ledger control account
B on the credit side of the sales ledger control account
C on the debit side of the purchases ledger control account
D on the debit side of the sales ledger control account
- 19 How is the profit for the year calculated?
- A gross profit + other income + expenses
B gross profit + other income – expenses
C gross profit – other income + expenses
D gross profit – other income – expenses
- 20 A company had inventory which cost \$100000. The inventory was damaged and would cost \$10 000 to repair after which it could be sold for \$80 000.
At which value will the inventory be shown in the company's financial statements?
- A \$70000 B \$80000 C \$90000 D \$100000
- 21 How are current liabilities calculated?
- A non-current assets + current assets + capital owned + non-current liabilities
B non-current assets + current assets – capital owned – non-current liabilities
C non-current assets – current assets + capital owned + non-current liabilities
D non-current assets – current assets – capital owned – non-current liabilities
- 22 A trader took out a business bank loan of \$5000 and also transferred \$2000 to the business bank account from his own funds.

How did these transactions affect the statement of financial position?

	owner's capital	liabilities	Assets
A	no effect	increase \$5000	increase \$5000
B	increase \$2000	increase \$5000	increase \$2000
C	increase \$2000	increase \$5000	increase \$7000
D	increase \$7000	no effect	increase \$7000

- 23 Alice took goods for her own use but did not enter this in her accounting records. She made an adjustment for these goods in the year-end financial statements. How did this adjustment affect the gross profit and the closing capital?

	gross profit		closing capital		
	increase	decrease	increase	decrease	no effect
A	✓		✓		
B	✓				✓
C		✓		✓	
D		✓			✓

- 24 A trader does not keep a full set of accounting records.

How is the profit for the year calculated?

- A closing capital – opening capital – capital introduced + drawings
 - B closing capital – opening capital – drawings
 - C closing capital – opening capital + capital introduced
 - D closing capital – opening capital + capital introduced – drawings
- 25 On 1 January the trade receivables owed \$1000 and on 31 December they owed \$1500. During the year \$5000 was received from credit customers and a debt of \$100 was written off.

How much were the credit sales for the year?

- A \$2400
- B \$2600
- C \$5400
- D \$5600

- 26 Yousef started a business on 1 April. His employees are paid weekly and any statutory deductions are paid to the authorities monthly in arrears.

For the week ended 7 April the net wages paid to employees totaled \$7500 and the statutory deductions totaled \$1750.

Which entries did Yousef make on 7 April?

	account to be debited	\$	account to be credited	\$
A	Bank	9250	Wages	7500
B	wages	7500	statutory deductions	1750
C	statutory deductions	1750	Bank	9250
D	bank	7500	Wages	9250
	statutory deductions	1750	Bank	7500
	wages	9250	statutory deductions	1750

- 27 A trader overvalued his year-end inventory.

Which statements are correct?

- 1 Current assets are understated.
- 2 Current liabilities are understated.
- 3 Gross profit is overstated.
- 4 Profit for the year is overstated.

- A 1 and 3 B 2 and 3 C 2 and 4 D 3 and 4

- 28 Anwar's profit for the year was \$28 000. He provided the following information at the end of his financial year.

	\$
capital	112 000
current assets	80 000
current liabilities	20 000
non-current assets	140 000
long-term loan	88 000

What was the profit for the year as a percentage of capital employed?

- A 7% B 14% C 20% D 25%

29 What is the going concern principle?

- A Accounting records are prepared as summing that the business will continue to operate in the foreseeable future.
- B Income and expense should be accounted for in the same way they were accounted for in previous periods.
- C Profit should not be anticipated and losses written off as soon as they are known.
- D Revenue and costs should be recognized as they are earned or incurred, not when the money is received or paid.

30 In a trader's statement of financial position the non-current assets are shown at cost less depreciation to date.

Which accounting principle is being applied?

- A Business entity
- B duality
- C going concern
- D materiali