



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS

7110/11

Paper 1 Multiple Choice

May/June 2012

1 hour

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

* 2 0 2 6 9 1 6 4 2 2 *

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.

This document consists of **9** printed pages and **3** blank pages.



1 Which statements about book-keeping and accounting are correct?

- 1 Accounting is performed periodically rather than daily.
- 2 Accounting relies on having accurate book-keeping records.
- 3 Book-keeping involves the preparation of financial statements.
- 4 Book-keeping is based on the double entry system of recording.

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

2 Padma started a business on 1 April 2011 with \$30 000 of her own money. On 31 March 2012 her assets and liabilities were:

	\$
machinery at net book value	38 000
other assets	15 000
long-term loan from bank	16 500

What was Padma's capital on 31 March 2012?

A \$30 000 **B** \$36 500 **C** \$46 500 **D** \$53 000

3 Chan returns goods to Yeung.

How is this recorded in the books of Yeung?

	account to be debited	account to be credited
A	Chan	sales returns
B	sales returns	Chan
C	Yeung	purchases returns
D	purchases returns	Yeung

4 Winston sold goods on credit to Leroy.

Which entries should Winston make in his ledgers?

	sales ledger	general ledger
A	credit Leroy	debit sales
B	credit sales	debit Leroy
C	debit Leroy	credit sales
D	debit sales	credit Leroy

- 5 Which book of prime entry is written up from the copies of credit notes issued by a trader?
- A** purchases journal
B purchases returns journal
C sales journal
D sales returns journal
- 6 Dave supplies goods to Peter on credit. On 1 April, Peter owed Dave \$440. Dave sent or received the following documents in April.

	\$
April 7 Invoice	360
12 Cheque (after deducting \$11 cash discount)	429
13 Debit note	50
15 Credit note	50

What was the closing balance on the statement of account on 30 April 2011?

- A** \$260 **B** \$310 **C** \$321 **D** \$421
- 7 Tahir purchases goods on credit from Yasmin.

How will Yasmin record this?

	book of prime entry	account to be debited	account to be credited
A	purchases journal	purchases	Yasmin
B	purchases journal	Yasmin	purchases
C	sales journal	sales	Tahir
D	sales journal	Tahir	sales

- 8 A company began trading on 1 January 2012. During that month, the following transactions took place.
- received capital from shareholders, \$10 000
 received goods for resale, \$4000
 despatched goods to customer, \$5000
 paid \$3000 for goods received

What was the total in the bank account on 31 January 2012?

- A** \$7000 **B** \$8000 **C** \$11 000 **D** \$12 000

9 Which is true about a bank reconciliation statement?

- A It may uncover any theft of funds.
- B It is part of the double entry records of a business.
- C It is prepared by the bank.
- D It shows items which are in both the cash book and the bank statement.

10 Chang owed Tan \$130 which he paid by cheque. Tan credited the bank account and debited Chang's account.

Which journal entry will correct this error?

		debit \$	credit \$
A	bank Chang	130	130
B	Chang bank	130	130
C	bank Chang	260	260
D	Chang bank	260	260

11 Sukesh's account in the books of Jack showed the following.

Sukesh account

date		debit \$	credit \$	balance \$
May 1	balance			450 dr
4	sales	200		650 dr
8	bank		432	218 dr
8	discount		18	200 dr

Which statements about the transactions on 8 May are correct?

- 1 Jack made a payment to Sukesh.
- 2 Jack received a payment from Sukesh.
- 3 Sukesh allowed a discount to Jack.
- 4 Sukesh received a discount from Jack.

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

- 12 On 1 April the balance on the purchases account was \$7200. During April the following transactions took place.

	\$
cash purchases	1200
credit purchases	5000
goods taken by the owner for her own use	250

What was the balance on the purchases account on 30 April?

- A** \$5950 **B** \$11 950 **C** \$13 150 **D** \$13 400
- 13 At the start of the financial year insurance was prepaid and commission receivable was still outstanding.

How would these balances appear in the ledger accounts?

	insurance account	commission receivable account
A	credit	credit
B	credit	debit
C	debit	credit
D	debit	debit

- 14 Gary's financial year ends on 31 March. On 1 April 2011 rent prepaid amounted to \$3000. During the year ended 31 March 2012 a total of \$7000 rent was paid. On 31 March 2012 rent outstanding amounted to \$2000.

Which journal entry shows the transfer of the rent to the income statement on 31 March 2012?

		debit \$	credit \$
A	income statement rent	8 000	8 000
B	income statement rent	12 000	12 000
C	rent income statement	8 000	8 000
D	rent income statement	12 000	12 000

15 Which entries are required to create a provision for doubtful debts?

	debit	credit
A	bad debts account	provision for doubtful debts account
B	provision for doubtful debts account	bad debts account
C	income statement	provision for doubtful debts account
D	provision for doubtful debts account	income statement

16 Harry's income statement showed a loss for the year of \$2040. It was later discovered that motor expenses, \$480, had been included in non-current assets.

What was the correct loss for the year?

- A** \$1080 **B** \$1560 **C** \$2520 **D** \$3000

17 A machine cost \$30 000. It had an estimated life of six years. Using the reducing (diminishing) balance method of depreciation at 30% the first year's depreciation was \$9000.

What was the balance on the provision for depreciation account at the end of the second year?

- A** \$12 000 **B** \$14 700 **C** \$15 300 **D** \$18 000

18 How is the loss on the sale of a non-current asset recorded?

	debit	credit
A	disposal account	income statement
B	income statement	disposal account
C	income statement	non-current asset account
D	non-current asset account	income statement

19 An invoice for stationery, \$100, was entered as a credit note.

Which entries should be made to correct this error?

	debit	\$	credit	\$
A	stationery	100	supplier	100
B	stationery	200	supplier	200
C	supplier	100	stationery	100
D	supplier	200	stationery	200

- 20 What does a debit balance on a sales ledger control account represent?
- A amount owed by customers
 - B amount owed to customers
 - C total credit sales
 - D total sales
- 21 Which is an intangible asset?
- A goodwill
 - B inventory
 - C machinery
 - D trade receivables
- 22 Which is **not** a service business?
- A accountant
 - B insurance company
 - C motor trader
 - D travel agent
- 23 Two traders are considering forming a partnership.
Which statement is **not** correct?
- A Both partners may have limited liability.
 - B Both partners may take an active part.
 - C Partners may share their experience.
 - D Partners may share their knowledge.
- 24 Karim did not keep proper accounting records, but provided the following information.
- | | \$ |
|----------------------------|--------|
| drawings | 8 500 |
| capital introduced in year | 15 000 |
| capital at 1 January | 58 000 |
| capital at 31 December | 82 500 |
- What was the profit for the year?
- A \$16 000
 - B \$18 000
 - C \$33 000
 - D \$48 000

25 What is a feature of preference shares?

- A The annual dividend is a fixed percentage of the profit of the company.
- B The capital is returned before ordinary share capital if the company closes down.
- C The holders are usually entitled to attend and vote at shareholders' meetings.
- D The percentage of dividend varies according to the profit of the company.

26 Which group of items would appear in the capital and reserves section of a limited company balance sheet?

- A ordinary share capital, debentures, retained earnings
- B ordinary share capital, ordinary share dividend, preference share capital
- C preference share capital, ordinary share capital, debentures
- D preference share capital, ordinary share capital, retained earnings

27 A manufacturer provided the following information.

	\$
factory wages	11 000
carriage on raw material	2 700
machine repairs	3 420
supervisor's wages	6 000
raw materials used	19 700

What was the prime cost?

- A \$33 400 B \$36 700 C \$39 400 D \$42 820

28 Esarba has a pension contribution and a trade union subscription deducted from her pay.

Which type of deduction are they?

	pension contribution	subscription
A	statutory	statutory
B	statutory	voluntary
C	voluntary	statutory
D	voluntary	voluntary

29 A business had the following assets and liabilities.

	\$
inventory	11 000
trade receivables	39 000
bank overdraft	8 000
trade payables	12 000
long-term loan	30 000

What was the current ratio?

- A** 1:1 **B** 1.38:1 **C** 1.95:1 **D** 2.5:1

30 Sally applies the historical cost principle and records all her non-current assets at the actual cost.

What is an advantage of applying this principle?

- A** Cost is a known fact and can be verified.
B It is easy to compare assets bought at different times.
C It provides for the effects of inflation.
D Non-current assets are shown at a realistic value.

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