

Section A (Multiple Choice Questions)

1.	Businesses make use of both book-keeping and accounting procedures. What is the purpose of book-keeping? A. to interpret the double entry records B. to prepare financial statements at regular intervals C. to record all the financial transactions of the business D. to summarise the financial position of the business
2.	What is the meaning of the money measurement concept? A. Assets are normally shown at cost price. B. Only items with a monetary value are included in the accounts. C. Profits are calculated after allowing for accruals and prepayments. D. Profits are calculated on the basis of cash received less cash paid.
3.	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 goods are received damaged.
4.	What is the purpose of double entry bookkeeping? A. to apply the dual aspect concept B. to avoid errors C. to prepare books of prime entry accurately D. to record revenue and capital transactions correctly
5.	A bookkeeper puts an amount of \$50 on the debit side of an account. It should have been credited to the account. What is the effect on the trial balance totals? A. \$50 more on the credit side than on the debit B. \$50 more on the debit side than on the credit C. \$100 more on the credit side than on the debit D. \$100 more on the debit side than on the credit
6.	A cash discount is given..... A. to encourage customers to pay more. B. to encourage customers to buy in large quantities. C. to encourage customers to pay promptly. D. to encourage customers to buy less than the required quantity.
7.	Which transaction is entered in the general journal? A. cash paid to supplier B. cash received from customer C. machinery bought on credit D. inventory of goods bought on credit
8.	Which is both a book of prime entry and a ledger account? A. cash book B. general journal C. purchases journal D. sales journal
9.	A petty cash book is A. a statement of assets and liabilities. B. a list of balances from the ledger. C. a book of original entry recording petty cash expenses. D. a book to record all cash and bank receipts.

10.	<p>A bank reconciliation statement starts with the debit balance shown in the cash book. How are uncredited deposits and unpresented cheques shown in the bank reconciliation statement?</p> <table border="1" data-bbox="183 174 938 409"> <thead> <tr> <th></th> <th>uncredited deposits</th> <th>unpresented cheques</th> </tr> </thead> <tbody> <tr> <td>A.</td> <td>added</td> <td>added</td> </tr> <tr> <td>B.</td> <td>added</td> <td>deducted</td> </tr> <tr> <td>C.</td> <td>deducted</td> <td>added</td> </tr> <tr> <td>D.</td> <td>deducted</td> <td>deducted</td> </tr> </tbody> </table>		uncredited deposits	unpresented cheques	A.	added	added	B.	added	deducted	C.	deducted	added	D.	deducted	deducted
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11.	<p>Sam returns goods bought on credit from Javed. How is this recorded in Javed's books?</p> <table border="1" data-bbox="183 459 938 678"> <thead> <tr> <th></th> <th>account debited</th> <th>account credited</th> </tr> </thead> <tbody> <tr> <td>A.</td> <td>Purchases returns</td> <td>Sam</td> </tr> <tr> <td>B.</td> <td>Revenue returns</td> <td>Sam</td> </tr> <tr> <td>C.</td> <td>Sam</td> <td>Purchases returns</td> </tr> <tr> <td>D.</td> <td>Sam</td> <td>Revenue returns</td> </tr> </tbody> </table>		account debited	account credited	A.	Purchases returns	Sam	B.	Revenue returns	Sam	C.	Sam	Purchases returns	D.	Sam	Revenue returns
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12.	<p>Mister maintains a control account for purchases ledger. What is the purpose of this control account?</p> <p>A. To calculate the amount owed to suppliers B. To calculate total revenue C. To make the trial balance totals agree D. To calculate the accuracy of the sales ledger</p>															
13.	<p>What is the correct method of valuing inventory?</p> <p>A. at a valuation decided by the management B. at the lower of cost or net realisable value C. at the net book value of the inventory D. at the purchase price of the inventory</p>															
14.	<p>Inventory cost \$2300. It can be sold for \$2500 after realisation costs of \$300. At what value is Inventory shown in the Statement of financial position?</p> <p>A. \$2000 B \$2200 C \$2300 D \$2500</p>															
15.	<p>In 2014 a business paid \$3 000 for electricity. On 1 January 2014 \$600 was owed for electricity. On 31 December 2014 \$1 300 was owed for electricity. How much is charged for electricity in the Income Statement for 2014?</p> <p>A. \$3 000 B. \$3 600 C. \$3 700 D. \$4 300</p>															
16.	<p>Gary is a customer of PD Limited. Gary paid PD Limited by cheque. The cheque has been returned unpaid by the bank. How is this recorded in PD Limited's books?</p> <table border="1" data-bbox="183 1552 1396 1753"> <thead> <tr> <th></th> <th>Account debited</th> <th>Account credited</th> </tr> </thead> <tbody> <tr> <td>A.</td> <td>Irrecoverable debts</td> <td>Bank account</td> </tr> <tr> <td>B.</td> <td>Gary's account</td> <td>Bank account</td> </tr> <tr> <td>C.</td> <td>Gary's account</td> <td>Provision for doubtful debts</td> </tr> <tr> <td>D.</td> <td>Provision for doubtful debts</td> <td>Gary's account</td> </tr> </tbody> </table>		Account debited	Account credited	A.	Irrecoverable debts	Bank account	B.	Gary's account	Bank account	C.	Gary's account	Provision for doubtful debts	D.	Provision for doubtful debts	Gary's account
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17.	<p>Which of the following is an item of revenue expenditure?</p> <p>A. Dividends paid B. Payments for major buildings improvements C. Purchase of machinery D. Rent paid</p>															

18.	The business receives rent for letting premises. How is this rent classified? A. Capital expenditure B. Capital income C. Revenue expenditure D. Revenue income
19.	How is the balance on the Provision for Depreciation of Motors account shown in the financial statements? A. It is added to the current liabilities in the statement of financial position. B. It is deducted from the non-current assets in the statement of financial position. C. It is credited in the Income Statement. D. It is debited in the Income Statement.
20.	X and Y each purchased a machine for \$20,000 with an estimated useful life of four years and a final estimated scrap value of \$4,000. X depreciated his machine using the reducing balance method at a rate of 40% per annum but Y used the straight-line method. How much will the second year's depreciation charged by X differ from that charged by Y? A. \$200 less for X B. \$200 more for X C. \$800 less for X D. \$800 more for X

Section B (Structured Questions)

1. Mary buys goods on credit from Kim. Mary receives 14% trade discount on all purchases and takes advantage of the 5% cash discount offered for payment within 14 days. The following information is available:

2013

- June 1 Mary owed Kim \$680 for goods purchased on 29 May 2013.
 June 4 Kim sold goods to Mary, list price \$800.
 June 5 Mary sent Kim a cheque for the balance owing on 1 June.
 June 8 Mary returned goods purchased on 4 June, list price \$100, to Kim.
 June 28 Kim sold further goods to Mary, list price \$300.
 June 29 Kim received a cheque from Mary for goods purchased on 4 June.
 June 30 Mary received details from Kim of her transactions during the month.

REQUIRED

- (a) Name the document and book of prime entry used by Kim on the dates below:

Date	Business document	Book of prime entry
4 June		
8 June		

- (b) State the name of the document Mary received on 30 June. [4]
 (c) Write up the ledger account of Mary in Kim's books. Balance the account and bring down the balance on 1 July 2013. [2]
 (d) Indicate with a tick (✓) the ledger in which the following accounts would appear. The first item has been completed as an example. [10]

Account	Sales ledger	Purchase ledger	General ledger
Sales			✓
Drawings			
Kline Ltd (Supplier)			
Millar and Son (Customer)			
Insurance			

[4]

2. Anisha owns a manufacturing business. Her financial year ends on 30 April. She has the following depreciation policy:

Machinery is depreciated at the rate of 25% per annum using the diminishing (reducing) balance method. Office furniture is depreciated at the rate of 10% per annum using the straight-line method. Loose tools are depreciated using the revaluation method.

A full year's depreciation is charged on assets in the year of purchase but no depreciation is charged in the year of sale.

Required:

- (a) Give **two** reasons why depreciation should be charged. [2]
- (b) Suggest **one** reason why the diminishing (reducing) balance method might be the most appropriate method for Anisha to depreciate her machinery. [2]

The following information is available for the year ended 30 April 2012.

1. Balances 1 May 2011 \$
- | | |
|------------------------------|--------|
| Non-current assets at cost: | |
| Machinery | 80 000 |
| Office furniture | 15 000 |
| Provisions for depreciation: | |
| Machinery | 60 000 |
| Office furniture | 5 000 |
2. On 31 July 2011, additional machinery, \$18 000, was purchased.
3. On 20 February 2012, office furniture, which had cost \$1 000 on 1 May 2009, was sold for \$550 cash.
4. On 1 May 2012, loose tools, cost price \$1 600, were valued at \$1 050. Additional loose tools were purchased during the year for \$630. On 30 April 2012 loose tools were valued at \$1 400.

Required:

- (c) Calculate the depreciation to be charged on **each** of the following for the year ended 30 April 2012.
- (i) Machinery
 - (ii) Office furniture
 - (iii) Loose tools [9]
- (d) Calculate the profit or loss on the office furniture sold on 20 February 2012. [3]
- (e) Calculate the **net book value** on 30 April 2011 of
- (i) Machinery
 - (ii) Office furniture [4]

3. The balances and transactions relating to the control account of Valerie for the month of July are:

		\$
Balances, July 1 st :	Trade payables control account	2 780 (credit)
	Trade receivables control account	9 526 (debit)
31 st July:		
	Credit sales	20 375
	*Credit Purchases at list price	7 290
	*Purchases returns	250
	Revenue returns	160
	Cash and cheques received from credit customers	19 540
	Customers' cheque dishonoured	270
	Cash and cheques paid to suppliers	5 130
	Discount received	110
	Discount allowed	220
	Interest charged to customers on overdue accounts	80
	Irrecoverable debts written off	150
	Debit balances transferred to the Purchases Ledger	360
	Cash refund from suppliers for overpayments	60
	Debit balances in Purchase ledger	40
	Credit balances in Sales ledger	64

*All purchases and purchases returns were subject to a trade discount of 10% off the list price.

REQUIRED:

- (a) Prepare the Purchases Ledger Control Account and Sales Ledger Control Account for the month of January and derive the closing balances at the end of the month. [16]
- (b) Explain **two** purpose of keeping control accounts. [4]
4. Lyana is preparing her financial statements. She provides the following information.
- 1 October 2015 Rent receivable account \$2500 Credit

The bank account contained the following entries.

Receipts

31 December 2015	Rent received by cheque	\$6700
30 April 2016	Rent received by cheque	\$3100

Payments

31 January 2016	Refund for overpayment of rent receivable	\$700
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Additional information

The rent receivable amounts to \$12 000 a year.

REQUIRED

- (a) Prepare the rent receivable account for the year ended 30 September 2016. Make the transfer to the income statement and bring down the balance on 1 October 2016. [6]
- (b) Prepare an extract of the income statement for the year ended 30 September 2016. [2]
- (c) Prepare an extract of the statement of financial position at 30 September 2016. [2]
- (d) State the accounting principle to be applied by Lyana when dealing with the record of rent receivable. [2]