

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 includes the preparation of financial statements.
- 4 Book-keeping involves the recording of financial transactions.

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

2 A trader invested \$4000 into the business. \$2000 was used to pay a credit supplier. The rest of the money was paid into the business bank account. What changes would take place within the accounting equation?

	assets	owner's Capital	liabilities
<b>A</b>	-\$2000	-\$4000	+\$2000
<b>B</b>	+\$2000	+\$2000	no effect
<b>C</b>	+\$2000	+\$4000	-\$2000
<b>D</b>	+\$4000	+\$4000	no effect

3 Wania bought 55 items from Meher at a list price of \$40 each, subject to a 15% trade discount. Wania later returned 25 items as they were faulty. Which document did Meher issue to Wania for the returned items?

- A** credit note for \$850
- B** credit note for \$1000
- C** debit note for \$850
- D** debit note for \$1000

4 The bank agreed to allow Esha an overdraft with a limit of \$500. What did this mean?

- A.** A sum of \$500 would be transferred into Esha's account by the bank.
- B.** All cheques issued by Esha would be paid by the bank.
- C.** Cheques issued by Esha would be paid by the bank provided the account was not overdrawn by more than \$500.
- D.** Only cheques issued by Esha for less than \$500 would be paid by the bank if there was not enough money in the account.

- 5 On 30 September 2018, Ahmed's bank statement showed a credit balance of \$2500. Ahmed found that a cheque issued for \$90 and a deposit of \$500 had not been included on the bank statement.

What was the balance at bank shown in Ahmed's cash book on 30 September 2018?

**A** \$1910      **B** \$2090      **C** \$2910      **D** \$3090

- 6 Which statement about a debit balance brought down on a ledger account is **not** correct?

- A** It may represent a loss.
- B** It may represent a prepaid expense.
- C** It may represent an accrued expense.
- D** It may represent an asset.

- 7 On 1 September 2018 Chan owed Tan \$570. During September 2018 the following transactions took place.

Tan sold goods, \$380, on credit to Chan

Chan returned goods, \$150, to Tan

Chan paid Tan \$500 by cheque

What was the balance brought down on Chan's account in Tan's ledger on 1 October 2018?

**A** \$300 credit    **B** \$300 debit      **C** \$840 credit      **D** \$840 debit

- 8 Which name is given to a statement of ledger balances on a particular date?

- A** bank reconciliation statement
- B** general ledger
- C** statement of financial position
- D** trial balance

- 9 The balance of which account will appear in the debit column of a trial balance?

- A** carriage inwards
- B** discounts received
- C** provision for doubtful debts
- D** purchases returns

- 10** Zoha rents business premises. She owed rent at both the start and the end of the financial year.

How can rent payable for the year be calculated?

- A** rent paid – amount owing at start of year
- B** rent paid – amount owing at start of year + amount owing at end of year
- C** rent paid + amount owing at end of year
- D** rent paid + amount owing at start of year – amount owing at end of year
- 11** Bashir maintains a provision for doubtful debts of 3% of the trade receivables at the end of the year.  
On 31 August 2017 trade receivables amounted to \$70 000. On 31 August 2018 trade receivables amounted to \$73 000.  
Which double entry should Bashir make on 31 August 2018?

	debit	\$	credit	\$
<b>A</b>	income statement	90	provision for doubtful debts account	90
<b>B</b>	income statement	2100	provision for doubtful debts account	2100
<b>C</b>	provision for doubtful debts account	90	income statement	90
<b>D</b>	provision for doubtful debts account	2100	income statement	2100

- 12** Falak has an engineering business. On 31 May he received an invoice from AB Machines showing the following:
- cost of replacement parts for machine
  - cost of repairs to machine
  - cost of machine
  - cost of installation of machine

Which costs are Capital expenditure in Falak's books?

- A** machine, installation
- B** machine only
- C** replacement parts, machine
- D** replacement parts, repairs, installation

**13** Why is depreciation charged on a non-current asset?

- A** to accumulate a fund of money to replace the asset
- B** to charge the cost of using the asset against income
- C** to determine the market value of the asset
- D** to ensure that profits are not understated

**14** Faryal purchased a machine costing \$15 000 on 1 January 2016. He depreciates the machine using the diminishing (reducing) balance method at 20% per annum.

Which journal entry did Faryal make on 31 December 2017?

		debit \$	credit \$
<b>A</b>	income statement provision for depreciation of machinery	2400	2400
<b>B</b>	income statement provision for depreciation of machinery	3000	3000
<b>C</b>	provision for depreciation of machinery income statement	2400	2400
<b>D</b>	provision for depreciation of machinery income statement	3000	3000

**15** Miral took out a 5-year bank loan on 1 January 2018. All of the money borrowed was used to purchase a delivery van.

Under which heading will these items be shown in Miral's statement of financial position on 31 March 2018?

	bank loan	delivery van
<b>A</b>	current liability	current asset
<b>B</b>	current liability	non-current asset
<b>C</b>	non-current liability	current asset
<b>D</b>	non-current liability	non-current asset

**16** Which businesses do **not** prepare a trading account section of an income statement?

- 1 furniture store
- 2 gym
- 3 news agent
- 4 toy shop
- 5 window-cleaner

**A** 1 and 2      **B** 2 and 5      **C** 3 and 4      **D** 3 and 5

**17** X and Y are sole traders. They decided to form a partnership.

Which group contains only disadvantages of forming a partnership?

- A** disagreements may occur between the partners, profits are shared
- B** disagreements may occur between the partners, risks are shared
- C** losses are shared, responsibilities are shared
- D** profits are shared, risks are shared

**18** Aimen provided the following information.

	31 August 2017 \$	31 August 2018 \$
non-current assets	60 000	70 000
current assets	20 000	25 000
current liabilities	15 000	19 000

Aimen's drawings for the year ended 31 August 2018 were \$5000. What was the profit for the year ended 31 August 2018?

**A** \$6000      **B** \$11 000      **C** \$14 000      **D** \$16 000

**19** A business provided the following information.

Opening inventory    \$8000  
 Closing inventory    \$10 000  
 Purchases            \$110 000  
 Mark-up                50%

What was the revenue?

**A** \$54 000      **B** \$108 000      **C** \$162 000      **D** \$180 000

**20** Which group contains only indirect costs?

- A** carriage inwards, factory rent, wages of factory supervisors
- B** carriage inwards, raw materials, wages of machine operators
- C** depreciation of machinery, factory rent, wages of factory supervisors
- D** depreciation of machinery, raw materials, wages of machine operators

**21** A manufacturing business provided the following information.

	\$
prime cost	250 000
factory overhead expenses	50 000
office and selling expenses	25 000
work-in-progress at 1 January	1 500
work-in-progress at 31 December	2 500

What was the production cost of goods completed?

**A** \$249 000      **B** \$299 000      **C** \$301 000      **D** \$324 000

**22** New shop fittings are bought on credit for \$4000.  
Where is this transaction entered first?

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

**23** Which ledger entries record the purchase of a machine bought on credit from John Smith?

- A** debit John Smith, credit machinery
- B** debit John Smith, credit purchases
- C** debit machinery, credit John Smith
- D** debit purchases, credit John Smith

- 24** A machine cost \$5000. Depreciation to date on this machine was \$1750. It is disposed of for \$4000.  
What is the profit or loss on sale?

**A** loss \$750  
**B** profit \$750  
**C** loss \$1000  
**D** profit \$2250

- 25** Qadar rents premises at an annual rent of \$2800. He provides the following information.

Rent accrued on 1 January 2009	\$ 350
Payments during 2009	\$3 600

What is the balance on the rent account at 31 December 2009?

**A** \$450 accrued  
**B** \$450 prepaid  
**C** \$1150 accrued  
**D** \$1150 prepaid

- 26** On 1 January 2009 a company's provision for doubtful debts was \$500. On 31 December 2009 debtors were \$20 000.  
The provision is to be maintained at 2% of debtors.

Which adjustment to the provision for doubtful debts account is needed?

**A** \$100 debit  
**B** \$100 credit  
**C** \$400 debit  
**D** \$400 credit

- 27** Ahmed returns goods to Fahad.

Where will this appear in Ahmed's control account?

**A** credit purchases ledger control account  
**B** debit purchases ledger control account  
**C** credit sales ledger control account  
**D** debit sales ledger control account

- 28** Isra and Moeza are considering forming a partnership.  
Which is a disadvantage to Isra of going into partnership with Moeza?

**A** share losses  
**B** share profits  
**C** share responsibilities  
**D** share work-load

- 29** Anna has applied the straight line method of depreciation on her motor vehicles. She wishes to use the reducing balance method for the current year.  
Which accounting concept advises Anna against changing the method of depreciation?

**A** consistency  
**B** going concern  
**C** historical cost  
**D** matching

- 30** Which item does **not** appear in the financial statements of a service business?

**A** gross profit  
**B** non-current assets  
**C** non-current liabilities  
**D** profit for the year

- 31** A trader provided the following information for the year ended 30 April 2016.

	\$
Equity 1 May 2015	12 600
Equity 30 April 2016	7 900
drawings during the year	1 800

What was the profit or loss for the year?

- A** \$2900 loss    **B** \$2900 profit    **C** \$6500 loss    **D** \$6500 profit
- 32** Hanna paid \$3000 for rent for 15 months on 1 January 2015.  
The amount transferred to the income statement for the year ended 31 December 2015 was \$2400.

Which accounting principle did Hanna follow when preparing her income statement?

**A** dual aspect  
**B** going concern  
**C** historical cost  
**D** matching / accruals

- 33** Which document does a trader send to a credit customer to summarise the transactions for the month?



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

**34** What is a trial balance?

- A a statement of assets and liabilities on a particular date
- B a statement of income and expenditure for a particular period
- C a statement of ledger balances on a particular date
- D a statement of profit or loss for a particular period

**35** How is working capital calculated?

- A current assets – current liabilities
- B current assets – total liabilities
- C non-current assets – current liabilities
- D non-current assets – total liabilities