

Multiple Choice Questions

www.igcseaccounts.com



There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

1 **(a)** Why does the owner of a business need to know how much profit he has made?

- | | | | |
|----------|--|--------------------------|-----|
| A | to calculate interest payable on a bank loan | <input type="checkbox"/> | |
| B | to calculate cost of sales | <input type="checkbox"/> | |
| C | to calculate the return on capital | <input type="checkbox"/> | |
| D | to calculate total expenses | <input type="checkbox"/> | [1] |

(b) Which business document shows all the transactions that have taken place with a customer during a month?

- | | | | |
|----------|-------------|--------------------------|-----|
| A | credit note | <input type="checkbox"/> | |
| B | debit note | <input type="checkbox"/> | |
| C | invoice | <input type="checkbox"/> | |
| D | statement | <input type="checkbox"/> | [1] |

www.igcseaccounts.com

(c) A shop makes all its sales for cash.

Where does the sales account appear?

- | | | | |
|----------|--------------------------|--------------------------|-----|
| A | cash book | <input type="checkbox"/> | |
| B | nominal (general) ledger | <input type="checkbox"/> | |
| C | sales journal | <input type="checkbox"/> | |
| D | sales ledger | <input type="checkbox"/> | [1] |

(d) Which account could appear in either the debit column or the credit column of a trial balance?

- | | | | |
|----------|-----------|--------------------------|-----|
| A | bad debts | <input type="checkbox"/> | |
| B | bank | <input type="checkbox"/> | |
| C | drawings | <input type="checkbox"/> | |
| D | sales | <input type="checkbox"/> | [1] |

- (e) The cash book showed a balance in the bank of \$1000 Dr. On the same date, the bank statement showed a balance in the bank of \$900 Dr.

Which could be the reason for this difference?

- A bank interest received
- B payments made directly into the trader's bank account
- C standing order for property tax paid directly by the bank
- D unrepresented cheque [1]

- (f) What is an income statement (profit and loss account)?

- A A list of all the assets and liabilities of a business at a particular date.
- B A list of all the balances in the ledger accounts of a business at a particular date.
- C A statement of receipts and payments of a business during a particular period.
- D A summary of income and expenditure of a business during a particular period. [1]

- (g) Which entry is made to reduce a provision for doubtful debts?

	account to be debited	account to be credited	
A	income statement (profit and loss account)	provision for doubtful debts	<input type="checkbox"/>
B	provision for doubtful debts	income statement (profit and loss account)	<input type="checkbox"/>
C	provision for doubtful debts	trade receivables (debtors)	<input type="checkbox"/>
D	trade receivables (debtors)	provision for doubtful debts	<input type="checkbox"/> [1]

For
Examiner's
Use

(h) The total of the sales returns journal is posted to the sales returns account.

Where will the double entry appear?

- | | | | |
|----------|---------------------|--------------------------|-----|
| A | bank account | <input type="checkbox"/> | |
| B | creditors' accounts | <input type="checkbox"/> | |
| C | debtors' accounts | <input type="checkbox"/> | |
| D | sales account | <input type="checkbox"/> | [1] |

(i) How is working capital calculated?

- | | | | |
|----------|---|--------------------------|-----|
| A | current assets – current liabilities | <input type="checkbox"/> | |
| B | current assets + current liabilities | <input type="checkbox"/> | |
| C | non-current (fixed) assets + current assets – current liabilities | <input type="checkbox"/> | |
| D | non-current (fixed) assets + current assets + current liabilities | <input type="checkbox"/> | [1] |

(j) A sole trader compares his results with those of a similar business.

Which shows how well expenses are being controlled?

- | | | | |
|----------|---------------|--------------------------|-----|
| A | bank balance | <input type="checkbox"/> | |
| B | cost of sales | <input type="checkbox"/> | |
| C | gross profit | <input type="checkbox"/> | |
| D | net profit | <input type="checkbox"/> | [1] |

[Total: 10]

For
Examiner's
Use

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

1 **(a)** Businesses use financial records to prepare financial statements (final accounts).

Which record is used in the preparation of the balance sheet?

- A** bank statement
- B** cash book
- C** purchases journal
- D** sales journal [1]

(b) Which documents received by a business are used to write up the purchases returns journal?

- A** credit notes
- B** debit notes
- C** statements
- D** sales invoices [1]

(c) A business keeps a petty cash book with an imprest amount of \$300. During September the following transactions take place:

	\$
imprest restored on 1 September	100
petty cash drawn from bank on 15 September	150
expenses paid from petty cash	400

What amount will be required to restore the imprest on 30 September?

- A** \$50 **B** \$250 **C** \$400 **D** \$550 [1]

(d) Which error would **not** be revealed by a trial balance?

- A completely omitting a transaction
- B incorrectly balancing an account
- C making only one entry for a transaction
- D recording a transaction twice on the same side [1]

(e) Which will be shown on a bank statement?

- A cash paid into bank not yet credited
- B cheque dishonoured
- C cheque drawn not yet presented
- D petty cash payment [1]

(f) What is meant by the realisation concept?

- A Revenue and profit should not be anticipated.
- B Revenue is recognised as being earned when ownership of goods passes to the customer.
- C Similar items should be accounted for in a similar way from one accounting period to the next.
- D Transactions must be expressed in monetary terms. [1]

(g) A business values its inventory (stock) of items X and Y. The following information is available.

item	amount	cost price per unit	net realisable value per unit
X	300 units	\$3	\$4
Y	600 units	\$6	\$5

What is the total value of the inventory (stock)?

- A \$3900 B \$4200 C \$4500 D \$4800 [1]

For
Examiner's
Use

(h) What is the effect of **not** including intangible assets on the balance sheet?

- | | | | |
|----------|---|--------------------------|-----|
| A | overstate the value of the non-current (fixed) assets | <input type="checkbox"/> | |
| B | overstate the value of the working capital | <input type="checkbox"/> | |
| C | understate the value of the current assets | <input type="checkbox"/> | |
| D | understate the total value of the assets | <input type="checkbox"/> | [1] |

For
Examiner's
Use

(i) Which will appear in the income statement (profit and loss account) of a limited company?

- | | | | |
|----------|---------------------------------|--------------------------|-----|
| A | debenture interest paid | <input type="checkbox"/> | |
| B | preference share dividend paid | <input type="checkbox"/> | |
| C | retained profit brought forward | <input type="checkbox"/> | |
| D | transfer to general reserve | <input type="checkbox"/> | [1] |

(j) A trader does not keep proper accounting records. Her capital at the end of the financial year is higher than at the start. She has not introduced any further capital during the year. www.igcseaccounts.com

What does this show?

- | | | | |
|----------|---|--------------------------|-----|
| A | A net loss has been made during the year. | <input type="checkbox"/> | |
| B | Annual drawings are greater than the net profit. | <input type="checkbox"/> | |
| C | Assets less liabilities have reduced during the year. | <input type="checkbox"/> | |
| D | Net profit is greater than annual drawings. | <input type="checkbox"/> | [1] |

[Total: 10]

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

1 **(a)** Businesses use financial records to prepare financial statements (final accounts).

Which record is used in the preparation of the balance sheet?

- A** bank statement
- B** cash book
- C** purchases journal
- D** sales journal [1]

(b) Which documents received by a business are used to write up the purchases returns journal?

- A** credit notes
- B** debit notes
- C** statements
- D** sales invoices [1]

(c) A business keeps a petty cash book with an imprest amount of \$300. During September the following transactions take place:

	\$
imprest restored on 1 September	100
petty cash drawn from bank on 15 September	150
expenses paid from petty cash	400

What amount will be required to restore the imprest on 30 September?

- A** \$50 **B** \$250 **C** \$400 **D** \$550 [1]

1 There are 10 parts to question 1.

For **each** of the parts (a) to (j) below there are four possible answers **A, B, C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

(a) Why should a trader record all the financial information about her business?

A to calculate her bank balance

B to calculate her trade receivables (debtors)

C to calculate her drawings

D to calculate her profit

[1]

(b) Which entries are made in Xanthe's ledger to record the payment by a customer of money owing to Xanthe?

	account to be debited	account to be credited	
A	cash	creditor	<input type="checkbox"/>
B	cash	debtor	<input type="checkbox"/>
C	creditor	cash	<input type="checkbox"/>
D	debtor	cash	<input type="checkbox"/>

[1]

(c) Which error will require a correcting entry in a suspense account?

A cash paid to Gideon debited to Gibson's account

B motor vehicles account omitted from the trial balance

C purchase of fixtures for cash debited to the purchases account

D no entry made for cash paid for stationery

[1]

- (d) Maria maintains a provision for doubtful debts at 5% of the trade receivables (debtors) at the end of each financial year.

On 31 December 2008 the trade receivables (debtors) owed \$25 000 and on 31 December 2009 the trade receivables (debtors) owed \$20 000.

How much will appear in Maria's income statement (profit and loss account) for the year ended 31 December 2009?

- A** \$250 credit **B** \$250 debit **C** \$1000 credit **D** \$1000 debit

[1]

- (e) Karl's trial balance for 31 December 2009 includes the following balances.

	\$
sales	3 200
inventory (stock) at 1 January 2009	200
purchases	1 800
expenses	800

Karl's inventory (stock) at 31 December 2009 was \$300.

What is Karl's net profit for the year?

- A** \$400 **B** \$500 **C** \$700 **D** \$1500

[1]

- (f) Which is **not** a current asset?

A cash in hand

B money owed by a customer

C prepaid bill for electricity

D unpaid invoice from a supplier

[1]

For
Examiner's
Use

(g) Which group contains only tangible fixed assets?

A bank, cash, trade receivables (debtors), inventory (stock)

B bank, trade receivables (debtors), loan, prepaid expenses

C equipment, goodwill, machinery, vehicles

D equipment, machinery, premises, vehicles

[1]

(h) Joe and Paul are partners sharing profits in the ratio 3:2, after paying Paul an annual salary of \$15 000. For the year ended 31 March, the partnership's net profit was \$55 000.

How much was credited to Paul's current account for the year ended 31 March?

A \$15 000

B \$22 000

C \$31 000

D \$37 000

[1]

(i) A business provided the following information.

	year 1	year 2	year 3
gross profit as a percentage of sales	37%	37%	37%
net profit as a percentage of sales	12%	10%	7%

What does this show?

A control over expenses is getting better

B control over expenses is getting worse

C sales have reduced

D sales have increased

[1]

For
Examiner's
Use

(j) The same accounting treatment should be applied to similar items at all times.

Which accounting principle is being applied?

A consistency

B duality

C money measurement

D prudence

[1]

[Total: 10]

*For
Examiner's
Use*

www.igcseaccounts.com

- (d) Maria maintains a provision for doubtful debts at 5% of the trade receivables (debtors) at the end of each financial year.

On 31 December 2008 the trade receivables (debtors) owed \$25 000 and on 31 December 2009 the trade receivables (debtors) owed \$20 000.

How much will appear in Maria's income statement (profit and loss account) for the year ended 31 December 2009?

- A** \$250 credit **B** \$250 debit **C** \$1000 credit **D** \$1000 debit

[1]

- (e) Karl's trial balance for 31 December 2009 includes the following balances.

	\$
sales	3 200
inventory (stock) at 1 January 2009	200
purchases	1 800
expenses	800

Karl's inventory (stock) at 31 December 2009 was \$300.

What is Karl's net profit for the year?

- A** \$400 **B** \$500 **C** \$700 **D** \$1500

[1]

- (f) Which is **not** a current asset?

A cash in hand

B money owed by a customer

C prepaid bill for electricity

D unpaid invoice from a supplier

[1]

For
Examiner's
Use

(g) Which group contains only tangible fixed assets?

A bank, cash, trade receivables (debtors), inventory (stock)

B bank, trade receivables (debtors), loan, prepaid expenses

C equipment, goodwill, machinery, vehicles

D equipment, machinery, premises, vehicles

[1]

(h) Joe and Paul are partners sharing profits in the ratio 3:2, after paying Paul an annual salary of \$15 000. For the year ended 31 March, the partnership's net profit was \$55 000.

How much was credited to Paul's current account for the year ended 31 March?

A \$15 000

B \$22 000

C \$31 000

D \$37 000

[1]

(i) A business provided the following information.

	year 1	year 2	year 3
gross profit as a percentage of sales	37%	37%	37%
net profit as a percentage of sales	12%	10%	7%

What does this show?

A control over expenses is getting better

B control over expenses is getting worse

C sales have reduced

D sales have increased

[1]

For
Examiner's
Use

(j) The same accounting treatment should be applied to similar items at all times.

Which accounting principle is being applied?

A consistency

B duality

C money measurement

D prudence

[1]

[Total: 10]

*For
Examiner's
Use*

www.igcseaccounts.com

1 There are 10 parts to question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

(a) What is shown as a liability in a balance sheet?

A bank overdraft

B fixtures and fittings

C inventory (stock)

D prepaid rent

[1]

(b) Rent is paid to J. Perigo in cash.

How is this recorded?

	account to be debited	account to be credited
A	cash	rent
B	J. Perigo	rent
C	rent	cash
D	rent	J. Perigo

[1]

(c) When is a suspense account opened?

A when a balance sheet fails to balance

B when a trial balance fails to balance

C when an error of omission is corrected

D when an error of principle is corrected

[1]

(d) Which item on a bank statement would cause the balance on the bank statement to be more than the balance in the cash book?

A bank charges

B bank interest credited

C dishonoured cheque

D standing orders paid

[1]

(e) Why should costs be matched with revenues at the end of an accounting period?

A so that profit may be calculated

B so that the trial balance will balance

C to calculate the amount owed to trade creditors

D to calculate the bank balance

[1]

(f) Peter sold goods on credit to Ann in 2009. In October 2010 Peter wrote off the amount owed by Ann as a bad debt.

What entries must Peter make in his ledger to write off the bad debt?

	account to be debited	account to be credited	
A	Ann	bad debts	<input type="checkbox"/>
B	Ann	sales	<input type="checkbox"/>
C	bad debts	Ann	<input type="checkbox"/>
D	sales	Ann	<input type="checkbox"/>

[1]

For
Examiner's
Use

- (g) The following information is available for a sole trader for the year ended 30 September 2010.

	\$
sales in year	59 200
inventory (stock) at 1 October 2009	2 500
inventory (stock) at 30 September 2010	3 800
purchases in year	28 600

What is the gross profit for the year?

A \$24 300

B \$29 300

C \$30 600

D \$31 900

[1]

- (h) Which of the following appears in the income statement (profit and loss account) of a partnership?

www.igcseaccounts.com

A a partner's drawings

B a partner's salary

C interest on a partner's capital

D interest on a partner's loan

[1]

For
Examiner's
Use

(i) A business has calculated the following ratios:

	percentage of gross profit to sales	percentage of net profit to sales
Year 1	40 %	19 %
Year 2	40 %	25 %

For
Examiner's
Use

Why did the percentage of net profit to sales increase in Year 2?

A cost of sales decreased

B cost of sales increased

C expenses decreased

D expenses increased

[1]

(j) Which of the following should **not** be recorded in the books of account?

A canteen costs

B maintenance of office buildings

C wages of staff

D workers' skills

[1]

[Total: 10]

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

1 **(a)** Which business documents are used to write up the sales returns journal?

- | | | | |
|----------|--------------------------------------|--------------------------|-----|
| A | credit notes issued to customers | <input type="checkbox"/> | |
| B | credit notes received from suppliers | <input type="checkbox"/> | |
| C | invoices issued to customers | <input type="checkbox"/> | |
| D | invoices received from suppliers | <input type="checkbox"/> | [1] |

(b) What is cash discount?

- | | | | |
|----------|--|--------------------------|-----|
| A | an allowance given to a customer for paying in cash | <input type="checkbox"/> | |
| B | an allowance given to a customer for prompt payment | <input type="checkbox"/> | |
| C | a deduction from the list price of goods bought by a customer | <input type="checkbox"/> | |
| D | a deduction from the list price of goods for bulk buying by a customer | <input type="checkbox"/> | [1] |

www.igcseaccounts.com

(c) Which type of error is corrected using a suspense account?

- | | | | |
|----------|-------------------|--------------------------|-----|
| A | complete reversal | <input type="checkbox"/> | |
| B | omission | <input type="checkbox"/> | |
| C | principle | <input type="checkbox"/> | |
| D | single entry | <input type="checkbox"/> | [1] |

(d) A business receives a bank statement and updates its cash book.
Which item will increase the bank balance in the cash book?

- | | | | |
|----------|---------------------------|--------------------------|-----|
| A | bank charges | <input type="checkbox"/> | |
| B | credit transfers received | <input type="checkbox"/> | |
| C | interest charges | <input type="checkbox"/> | |
| D | standing orders paid | <input type="checkbox"/> | [1] |

- (e) Adam's debt is to be written off as bad. What entries are required?

	account to be debited	account to be credited	
A	Adam	bad debts	<input type="checkbox"/>
B	Adam	income statement	<input type="checkbox"/>
C	bad debts	Adam	<input type="checkbox"/>
D	bad debts	income statement	<input type="checkbox"/>

[1]

- (f) Which is an intangible asset?

- A** goodwill
- B** inventory
- C** other receivables
- D** trade receivables
- [1]

- (g) A trader took goods costing \$100 for his own use. How is this recorded in the ledger?

- A** debit drawings, credit inventory
- B** debit drawings, credit purchases
- C** debit inventory, credit drawings
- D** debit purchases, credit drawings
- [1]

- (h) Which is a factory overhead?

- A** carriage on finished goods
- B** carriage on raw materials
- C** wages of factory supervisors
- D** wages of machine operators
- [1]

For
Examiner's
Use

(i) How is the collection period for debtors calculated?

A credit sales / debtors x 100

B credit sales / debtors x 365

C debtors / credit sales x 100

D debtors / credit sales x 365

[1]

(j) At which point is revenue considered to be earned by a business?

A when an invoice is sent to the customer

B when ownership of the goods passes to the customer

C when the customer orders the goods

D when the customer pays for the goods

[1]

[Total: 10]

For
Examiner's
Use

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

1 **(a)** Which business documents are used to write up the sales returns journal?

- | | | | |
|----------|--------------------------------------|--------------------------|-----|
| A | credit notes issued to customers | <input type="checkbox"/> | |
| B | credit notes received from suppliers | <input type="checkbox"/> | |
| C | invoices issued to customers | <input type="checkbox"/> | |
| D | invoices received from suppliers | <input type="checkbox"/> | [1] |

(b) What is cash discount?

- | | | | |
|----------|--|--------------------------|-----|
| A | an allowance given to a customer for paying in cash | <input type="checkbox"/> | |
| B | an allowance given to a customer for prompt payment | <input type="checkbox"/> | |
| C | a deduction from the list price of goods bought by a customer | <input type="checkbox"/> | |
| D | a deduction from the list price of goods for bulk buying by a customer | <input type="checkbox"/> | [1] |

www.igcseaccounts.com

(c) Which type of error is corrected using a suspense account?

- | | | | |
|----------|-------------------|--------------------------|-----|
| A | complete reversal | <input type="checkbox"/> | |
| B | omission | <input type="checkbox"/> | |
| C | principle | <input type="checkbox"/> | |
| D | single entry | <input type="checkbox"/> | [1] |

(d) A business receives a bank statement and updates its cash book.
Which item will increase the bank balance in the cash book?

- | | | | |
|----------|---------------------------|--------------------------|-----|
| A | bank charges | <input type="checkbox"/> | |
| B | credit transfers received | <input type="checkbox"/> | |
| C | interest charges | <input type="checkbox"/> | |
| D | standing orders paid | <input type="checkbox"/> | [1] |

- (e) Adam's debt is to be written off as bad. What entries are required?

	account to be debited	account to be credited	
A	Adam	bad debts	<input type="checkbox"/>
B	Adam	income statement	<input type="checkbox"/>
C	bad debts	Adam	<input type="checkbox"/>
D	bad debts	income statement	<input type="checkbox"/>

[1]

- (f) Which is an intangible asset?

- A** goodwill
- B** inventory
- C** other receivables
- D** trade receivables
- [1]

- (g) A trader took goods costing \$100 for his own use. How is this recorded in the ledger?

- A** debit drawings, credit inventory
- B** debit drawings, credit purchases
- C** debit inventory, credit drawings
- D** debit purchases, credit drawings
- [1]

- (h) Which is a factory overhead?

- A** carriage on finished goods
- B** carriage on raw materials
- C** wages of factory supervisors
- D** wages of machine operators
- [1]

For
Examiner's
Use

(i) How is the collection period for debtors calculated?

A credit sales / debtors x 100

B credit sales / debtors x 365

C debtors / credit sales x 100

D debtors / credit sales x 365

[1]

(j) At which point is revenue considered to be earned by a business?

A when an invoice is sent to the customer

B when ownership of the goods passes to the customer

C when the customer orders the goods

D when the customer pays for the goods

[1]

[Total: 10]

For
Examiner's
Use

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

1 **(a)** Which business documents are used to write up the sales returns journal?

- | | | | |
|----------|--------------------------------------|--------------------------|-----|
| A | credit notes issued to customers | <input type="checkbox"/> | |
| B | credit notes received from suppliers | <input type="checkbox"/> | |
| C | invoices issued to customers | <input type="checkbox"/> | |
| D | invoices received from suppliers | <input type="checkbox"/> | [1] |

(b) What is cash discount?

- | | | | |
|----------|--|--------------------------|-----|
| A | an allowance given to a customer for paying in cash | <input type="checkbox"/> | |
| B | an allowance given to a customer for prompt payment | <input type="checkbox"/> | |
| C | a deduction from the list price of goods bought by a customer | <input type="checkbox"/> | |
| D | a deduction from the list price of goods for bulk buying by a customer | <input type="checkbox"/> | [1] |

www.igcseaccounts.com

(c) Which type of error is corrected using a suspense account?

- | | | | |
|----------|-------------------|--------------------------|-----|
| A | complete reversal | <input type="checkbox"/> | |
| B | omission | <input type="checkbox"/> | |
| C | principle | <input type="checkbox"/> | |
| D | single entry | <input type="checkbox"/> | [1] |

(d) A business receives a bank statement and updates its cash book.
Which item will increase the bank balance in the cash book?

- | | | | |
|----------|---------------------------|--------------------------|-----|
| A | bank charges | <input type="checkbox"/> | |
| B | credit transfers received | <input type="checkbox"/> | |
| C | interest charges | <input type="checkbox"/> | |
| D | standing orders paid | <input type="checkbox"/> | [1] |

- (e) Adam's debt is to be written off as bad. What entries are required?

	account to be debited	account to be credited	
A	Adam	bad debts	<input type="checkbox"/>
B	Adam	income statement	<input type="checkbox"/>
C	bad debts	Adam	<input type="checkbox"/>
D	bad debts	income statement	<input type="checkbox"/>

[1]

- (f) Which is an intangible asset?

- A** goodwill
- B** inventory
- C** other receivables
- D** trade receivables
- [1]

- (g) A trader took goods costing \$100 for his own use. How is this recorded in the ledger?

- A** debit drawings, credit inventory
- B** debit drawings, credit purchases
- C** debit inventory, credit drawings
- D** debit purchases, credit drawings
- [1]

- (h) Which is a factory overhead?

- A** carriage on finished goods
- B** carriage on raw materials
- C** wages of factory supervisors
- D** wages of machine operators
- [1]

For
Examiner's
Use

(i) How is the collection period for debtors calculated?

A credit sales / debtors x 100

B credit sales / debtors x 365

C debtors / credit sales x 100

D debtors / credit sales x 365

[1]

(j) At which point is revenue considered to be earned by a business?

A when an invoice is sent to the customer

B when ownership of the goods passes to the customer

C when the customer orders the goods

D when the customer pays for the goods

[1]

[Total: 10]

For
Examiner's
Use

There are 10 parts to Question 1.

For **each** of the parts (a) to (j) below there are four possible answers **A, B, C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

1 (a) In which book of prime (original) entry are invoices issued by a trader recorded?

- | | | | |
|----------|---------------------------|--------------------------|-----|
| A | purchases journal | <input type="checkbox"/> | |
| B | purchases returns journal | <input type="checkbox"/> | |
| C | sales journal | <input type="checkbox"/> | |
| D | sales returns journal | <input type="checkbox"/> | [1] |

(b) Where are the personal accounts of customers who buy goods on credit found?

- | | | | |
|----------|-------------------|--------------------------|-----|
| A | purchases journal | <input type="checkbox"/> | |
| B | purchases ledger | <input type="checkbox"/> | |
| C | sales journal | <input type="checkbox"/> | |
| D | sales ledger | <input type="checkbox"/> | [1] |

www.igcseaccounts.com

(c) A trader has received a bank statement and brought his cash book up to date. Which item will be included in the trader's bank reconciliation statement?

- | | | | |
|----------|---------------------|--------------------------|-----|
| A | bank charges | <input type="checkbox"/> | |
| B | bank interest | <input type="checkbox"/> | |
| C | direct debits | <input type="checkbox"/> | |
| D | unpresented cheques | <input type="checkbox"/> | [1] |

(d) K Lain owns a bakery shop.
Which of the following are capital expenditure?

- 1 motor vehicle
- 2 petrol for motor vehicle
- 3 shop fixtures
- 4 wages of bakers

A 1 and 3

B 1, 2 and 3

C 2 and 4

D 2, 3 and 4

[1]

(e) What is the effect of providing for depreciation?

A It increases profit.

B It reduces profit.

C It extends the life of non-current assets.

D It increases the cash balance.

[1]

(f) On which basis should inventory be valued?

A the higher of cost and net realisable value

B the lower of cost and net realisable value

C the higher of selling price and net realisable value

D the lower of selling price and net realisable value

[1]

- (g) In December 2010 Imran wrote off Ahmed's debt of \$50. On 30 April 2012 Ahmed sent a cheque for \$50.
Which journal entry would Imran make on 30 April 2012?

For
Examiner's
Use

		debit \$	credit \$	
A	Ahmed bank	50	50	<input type="checkbox"/>
B	bad debts recovered Ahmed	50	50	<input type="checkbox"/>
C	bad debts recovered bank	50	50	<input type="checkbox"/>
D	bank bad debts recovered	50	50	<input type="checkbox"/> [1]

- (h) Which would appear in an income statement?

- A** bank overdraft
- B** capital introduced
- C** motor vehicle expenses
- D** trade receivables [1]

www.igcseaccounts.com

- (i) Which is a current liability for a business?

- A** accrued interest charges on loan from bank
- B** provision for depreciation of non-current assets
- C** five-year loan from bank
- D** insurance premium prepaid [1]

- (j) Paul is preparing his financial statements.
What should he do to observe the principle of prudence?

- A** include all foreseeable losses
- B** include all foreseeable revenue
- C** show expenses as low as possible
- D** show prepayments as expenses [1]

[Total: 10]

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

- 1 **(a)** Beth sold goods on credit to Peter. It was later discovered that Peter had been overcharged.

Which document will Beth send to Peter to correct the error?

- | | | | |
|----------|-------------|--------------------------|-----|
| A | credit note | <input type="checkbox"/> | |
| B | debit note | <input type="checkbox"/> | |
| C | invoice | <input type="checkbox"/> | |
| D | statement | <input type="checkbox"/> | [1] |

- (b)** Where are the balances of carriage inwards and carriage outwards shown in the trial balance?

	debit column	credit column	
A	carriage inwards	carriage outwards	<input type="checkbox"/>
B	carriage outwards	carriage inwards	<input type="checkbox"/>
C	carriage inwards carriage outwards	–	<input type="checkbox"/>
D	–	carriage inwards carriage outwards	<input type="checkbox"/>

[1]

- (c)** A trader purchased stationery for office use. This was entered in the ledger as purchase of goods for resale. Which entry will correct this error?

	account debited	account credited	
A	purchases	stationery	<input type="checkbox"/>
B	stationery	purchases	<input type="checkbox"/>
C	stationery	sales	<input type="checkbox"/>
D	sales	purchases	<input type="checkbox"/>

[1]

- (d) A trader maintains a sales ledger control account.

From which books of prime (original) entry would he obtain the totals for cash discounts and goods returned?

	discounts	goods returned	
A	cash book – discount allowed column	purchases returns journal	<input type="checkbox"/>
B	cash book – discount allowed column	sales returns journal	<input type="checkbox"/>
C	cash book – discount received column	purchases returns journal	<input type="checkbox"/>
D	cash book – discount received column	sales returns journal	<input type="checkbox"/>

[1]

- (e) David owes \$1000 to Parvinder. He pays 90% of the debt. Parvinder writes off the remaining debt.

What entry will Parvinder make to write off the bad debt?

	account to be debited	\$	account to be credited	\$	
A	bad debts	100	David	100	<input type="checkbox"/>
B	David	100	bad debts	100	<input type="checkbox"/>
C	bad debts	900	David	900	<input type="checkbox"/>
D	David	900	bad debts	900	<input type="checkbox"/>

[1]

- (f) Which is a current asset?

A	accrued wages	<input type="checkbox"/>
B	bank loan	<input type="checkbox"/>
C	motor vehicles at cost	<input type="checkbox"/>
D	prepaid insurance	<input type="checkbox"/>

[1]

For
Examiner's
Use

- (g) Susan receives a cheque from a tenant on 10 December 2011. This is rent due to the business for the period 1 January to 31 March 2012.
How is this treated in Susan's financial statements for the year ended 31 December 2011?

- A accrued expense
- B accrued income
- C prepaid expense
- D prepaid income [1]

- (h) In partnership accounts, which item appears in both the profit and loss appropriation account and in the partners' current accounts?

- A current account balances
- B drawings
- C interest on drawings
- D interest on loans [1]

- (i) A business has not kept full accounting records.
Which of the following are used to calculate the profit for the year?

- A bank reconciliation statements
- B control accounts
- C statement of affairs
- D suspense account [1]

- (j) What is meant by the money measurement principle?

- A accounts are kept on the double entry basis
- B accounts contain only items which have a monetary value
- C non-current assets are shown at cost less depreciation
- D profits are calculated by deducting cash paid from cash received [1]

[Total: 10]

For
Examiner's
Use

There are 10 parts to Question 1.

For **each** of the parts (a) to (j) below there are four possible answers **A, B, C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

1 (a) In which book of prime (original) entry are invoices issued by a trader recorded?

- | | | | |
|----------|---------------------------|--------------------------|-----|
| A | purchases journal | <input type="checkbox"/> | |
| B | purchases returns journal | <input type="checkbox"/> | |
| C | sales journal | <input type="checkbox"/> | |
| D | sales returns journal | <input type="checkbox"/> | [1] |

(b) Where are the personal accounts of customers who buy goods on credit found?

- | | | | |
|----------|-------------------|--------------------------|-----|
| A | purchases journal | <input type="checkbox"/> | |
| B | purchases ledger | <input type="checkbox"/> | |
| C | sales journal | <input type="checkbox"/> | |
| D | sales ledger | <input type="checkbox"/> | [1] |

www.igcseaccounts.com

(c) A trader has received a bank statement and brought his cash book up to date. Which item will be included in the trader's bank reconciliation statement?

- | | | | |
|----------|---------------------|--------------------------|-----|
| A | bank charges | <input type="checkbox"/> | |
| B | bank interest | <input type="checkbox"/> | |
| C | direct debits | <input type="checkbox"/> | |
| D | unpresented cheques | <input type="checkbox"/> | [1] |

(d) K Lain owns a bakery shop.
Which of the following are capital expenditure?

- 1 motor vehicle
- 2 petrol for motor vehicle
- 3 shop fixtures
- 4 wages of bakers

- A 1 and 3
- B 1, 2 and 3
- C 2 and 4
- D 2, 3 and 4 [1]

(e) What is the effect of providing for depreciation?

- A It increases profit.
- B It reduces profit.
- C It extends the life of non-current assets.
- D It increases the cash balance. [1]

(f) On which basis should inventory be valued?

- A the higher of cost and net realisable value
- B the lower of cost and net realisable value
- C the higher of selling price and net realisable value
- D the lower of selling price and net realisable value [1]

- (g) In December 2010 Imran wrote off Ahmed's debt of \$50. On 30 April 2012 Ahmed sent a cheque for \$50.
Which journal entry would Imran make on 30 April 2012?

For
Examiner's
Use

		debit \$	credit \$	
A	Ahmed bank	50	50	<input type="checkbox"/>
B	bad debts recovered Ahmed	50	50	<input type="checkbox"/>
C	bad debts recovered bank	50	50	<input type="checkbox"/>
D	bank bad debts recovered	50	50	<input type="checkbox"/>

[1]

- (h) Which would appear in an income statement?

- A** bank overdraft
- B** capital introduced
- C** motor vehicle expenses
- D** trade receivables
- [1]

www.igcseaccounts.com

- (i) Which is a current liability for a business?

- A** accrued interest charges on loan from bank
- B** provision for depreciation of non-current assets
- C** five-year loan from bank
- D** insurance premium prepaid
- [1]

- (j) Paul is preparing his financial statements.
What should he do to observe the principle of prudence?

- A** include all foreseeable losses
- B** include all foreseeable revenue
- C** show expenses as low as possible
- D** show prepayments as expenses
- [1]

[Total: 10]

1 There are 10 parts to Question 1.

For **each** of the parts (a) to (j) below there are four possible answers **A, B, C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

(a) Why should a sole trader record all the financial information about her business?

- | | | | |
|----------|--|--------------------------|-----|
| A | because she is required to do so by law | <input type="checkbox"/> | |
| B | because she needs to pay her creditors on time | <input type="checkbox"/> | |
| C | so that she can prepare final accounts | <input type="checkbox"/> | |
| D | so that she knows how much her debtors owe her | <input type="checkbox"/> | [1] |

(b) Ace Motors sold a delivery van on credit to M. Johnson.

Which entries will be made in the books of Ace Motors?

	account debited	account credited	
A	M. Johnson	motor vehicles	<input type="checkbox"/>
B	M. Johnson	sales	<input type="checkbox"/>
C	motor vehicles	M. Johnson	<input type="checkbox"/>
D	sales	M. Johnson	<input type="checkbox"/>

[1]

(c) A business has a suspense account. It is found that the amount in the suspense account is in respect of a cash sale to Tahir, which was omitted from the sales account.

Which entries will correct the error?

	account debited	account credited	
A	sales	suspense	<input type="checkbox"/>
B	suspense	sales	<input type="checkbox"/>
C	suspense	Tahir	<input type="checkbox"/>
D	Tahir	suspense	<input type="checkbox"/>

[1]

(d) A trader purchases a supply of office paper on credit.

How should this transaction be recorded?

	debit	credit	
A	office equipment	supplier	<input type="checkbox"/>
B	supplier	office equipment	<input type="checkbox"/>
C	stationery	supplier	<input type="checkbox"/>
D	supplier	stationery	<input type="checkbox"/>

[1]

For
Examiner's
Use

(e) Amounts owed by a trader for electricity are given below.

	\$
1 January	2 000
31 December	2 500

The charge for electricity shown in the income statement for the year ended 31 December was \$15 500.

What was the amount paid for electricity during the year?

- www.igcseaccounts.com
- A** \$15 000
- B** \$15 500
- C** \$16 000
- D** \$20 000
- [1]

(f) Amina lists her current assets in order of liquidity.

In which order will the current assets appear?

- A** bank, cash, inventory, trade receivables
- B** cash, bank, trade receivables, inventory
- C** inventory, trade receivables, bank, cash
- D** trade receivables, inventory, bank, cash
- [1]

(g) How will partners' interest on drawings be shown in the partnership's financial statements?

- | | | | |
|----------|------------------------------|--------------------------|-----|
| A | debit income statement | <input type="checkbox"/> | |
| B | credit income statement | <input type="checkbox"/> | |
| C | debit appropriation account | <input type="checkbox"/> | |
| D | credit appropriation account | <input type="checkbox"/> | [1] |

For
Examiner's
Use

(h) Which term describes the balancing figure in a receipts and payments account?

- | | | | |
|----------|---|--------------------------|-----|
| A | excess of expenditure over income for the period | <input type="checkbox"/> | |
| B | excess of income over expenditure for the period | <input type="checkbox"/> | |
| C | the profit or loss for the year | <input type="checkbox"/> | |
| D | total cash and bank balances at the end of the year | <input type="checkbox"/> | [1] |

(i) A trader sets his selling price by adding a profit figure on to the cost price.

How does he do this?

- | | | | |
|----------|----------------------------|--------------------------|-----|
| A | by applying margin | <input type="checkbox"/> | |
| B | by applying mark-up | <input type="checkbox"/> | |
| C | by using the current ratio | <input type="checkbox"/> | |
| D | by using the quick ratio | <input type="checkbox"/> | [1] |

(j) Miriam supplies goods on credit to Anna.

Applying the realisation principle, when does Miriam recognise the sales revenue?

- | | | | |
|----------|---|--------------------------|-----|
| A | when Anna acquires legal ownership of the goods | <input type="checkbox"/> | |
| B | when Anna orders the goods | <input type="checkbox"/> | |
| C | when Anna pays for the goods | <input type="checkbox"/> | |
| D | when Anna receives a statement from Miriam | <input type="checkbox"/> | [1] |

[Total: 10]

1 There are 10 parts to Question 1.

For **each** of the parts (a) to (j) below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

For
Examiner's
Use

(a) Why should a sole trader record all the financial information about her business?

- | | | | |
|----------|--|--------------------------|-----|
| A | because she is required to do so by law | <input type="checkbox"/> | |
| B | because she needs to pay her creditors on time | <input type="checkbox"/> | |
| C | so that she can prepare final accounts | <input type="checkbox"/> | |
| D | so that she knows how much her debtors owe her | <input type="checkbox"/> | [1] |

(b) Ace Motors sold a delivery van on credit to M. Johnson.

Which entries will be made in the books of Ace Motors?

	account debited	account credited	
A	M. Johnson	motor vehicles	<input type="checkbox"/>
B	M. Johnson	sales	<input type="checkbox"/>
C	motor vehicles	M. Johnson	<input type="checkbox"/>
D	sales	M. Johnson	<input type="checkbox"/>

[1]

(c) A business has a suspense account. It is found that the amount in the suspense account is in respect of a cash sale to Tahir, which was omitted from the sales account.

Which entries will correct the error?

	account debited	account credited	
A	sales	suspense	<input type="checkbox"/>
B	suspense	sales	<input type="checkbox"/>
C	suspense	Tahir	<input type="checkbox"/>
D	Tahir	suspense	<input type="checkbox"/>

[1]

- (d) A trader purchases a supply of office paper on credit.

How should this transaction be recorded?

	debit	credit	
A	office equipment	supplier	<input type="checkbox"/>
B	supplier	office equipment	<input type="checkbox"/>
C	stationery	supplier	<input type="checkbox"/>
D	supplier	stationery	<input type="checkbox"/>

[1]

For
Examiner's
Use

- (e) Amounts owed by a trader for electricity are given below.

	\$
1 January	2 000
31 December	2 500

The charge for electricity shown in the income statement for the year ended 31 December was \$15 500.

What was the amount paid for electricity during the year?

- A** \$15 000
- B** \$15 500
- C** \$16 000
- D** \$20 000
- [1]

- (f) Amina lists her current assets in order of liquidity.

In which order will the current assets appear?

- A** bank, cash, inventory, trade receivables
- B** cash, bank, trade receivables, inventory
- C** inventory, trade receivables, bank, cash
- D** trade receivables, inventory, bank, cash
- [1]

(g) How will partners' interest on drawings be shown in the partnership's financial statements?

- | | | | |
|----------|------------------------------|--------------------------|-----|
| A | debit income statement | <input type="checkbox"/> | |
| B | credit income statement | <input type="checkbox"/> | |
| C | debit appropriation account | <input type="checkbox"/> | |
| D | credit appropriation account | <input type="checkbox"/> | [1] |

For
Examiner's
Use

(h) Which term describes the balancing figure in a receipts and payments account?

- | | | | |
|----------|---|--------------------------|-----|
| A | excess of expenditure over income for the period | <input type="checkbox"/> | |
| B | excess of income over expenditure for the period | <input type="checkbox"/> | |
| C | the profit or loss for the year | <input type="checkbox"/> | |
| D | total cash and bank balances at the end of the year | <input type="checkbox"/> | [1] |

(i) A trader sets his selling price by adding a profit figure on to the cost price.

How does he do this?

- | | | | |
|----------|----------------------------|--------------------------|-----|
| A | by applying margin | <input type="checkbox"/> | |
| B | by applying mark-up | <input type="checkbox"/> | |
| C | by using the current ratio | <input type="checkbox"/> | |
| D | by using the quick ratio | <input type="checkbox"/> | [1] |

(j) Miriam supplies goods on credit to Anna.

Applying the realisation principle, when does Miriam recognise the sales revenue?

- | | | | |
|----------|---|--------------------------|-----|
| A | when Anna acquires legal ownership of the goods | <input type="checkbox"/> | |
| B | when Anna orders the goods | <input type="checkbox"/> | |
| C | when Anna pays for the goods | <input type="checkbox"/> | |
| D | when Anna receives a statement from Miriam | <input type="checkbox"/> | [1] |

[Total: 10]