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H.O.D. COMMERCIAL  
KAROI HIGH SCHOOL

29 JUN 2018

P.O. BOX 541

KAROI



**ZIMBABWE SCHOOL EXAMINATIONS COUNCIL**  
General Certificate of Education Ordinary Level

**PRINCIPLES OF ACCOUNTS**  
PAPER 1 Multiple Choice

**7112/1**

**JUNE 2018 SESSION**

**1 hour 30 minutes**

Additional materials:

Multiple Choice answer sheet

Soft clean eraser

Soft pencil (type B or HB is recommended)

**TIME** 1 hour 30 minutes

**INSTRUCTIONS TO CANDIDATES**

**Do not open this booklet until you are told to do so.**

Write your name, Centre number and candidate number on the answer sheet in the spaces provided unless this has already been done for you.

There are **forty** questions in 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 very carefully the instructions on the answer sheet.**

**INFORMATION FOR CANDIDATES**

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.

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**This question paper consists of 11 printed pages and 1 blank page.**

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- 1 Which user of accounting information analyses financial statements before lending money to a business?
- A bank
  - B debtor
  - C investor
  - D manager
- 2 One of the disadvantages of partnerships is that
- A better decisions are made.
  - B liability of the partners is unlimited.
  - C losses are shared among the partners.
  - D more capital can be used.
- 3 Which component of a computer manipulates and stores accounting information?
- A central processing unit
  - B keyboard
  - C printer
  - D visual display unit
- 4 Which of the following transactions is recorded in the general journal?
- A cheques issued for buying stationery
  - B credit purchase of inventory
  - C depreciation on office equipment
  - D goods returned to a supplier
- 5 A debit balance in a purchases ledger control account indicates that the business has
- A overpaid some suppliers.
  - B been paid by suppliers.
  - C not yet paid some suppliers.
  - D not balanced the account correctly.
- 6 What is meant by the error of original entry?
- A transaction not recorded
  - B transaction recorded once
  - C wrong amount recorded in the subsidiary book
  - D wrong personal account used

7 One of the disadvantages of manual data processing is that

- A it is less flexible.
- B fraud is more difficult to discover.
- C up to date information is made available faster.
- D chances of arithmetical errors being made are high.

8 The sales ledger contains

- A personal accounts of creditors.
- B personal accounts of debtors.
- C the sales account.
- D the sales returns account.

9 A trader provided the following information

	\$
Purchase cost of machinery	160 300
Transport cost of machinery	17 300
Installation cost of machinery	14 500

How much was debited to the machinery account?

- A \$160 300
- B \$174 800
- C \$177 600
- D \$192 100

10 Which of the following is a reason for a cheque to be dishonoured?

- A The drawer's account has an overdraft.
- B The drawer has not been declared insolvent.
- C The drawer has stopped payment.
- D The drawer has signed alterations on the cheque.

11 Why would a supplier give trade discount to a trader?

- A to enable the trader to make profit
- B to help the trader manage debts
- C to increase the amount owed by the trader
- D to reduce the expenses of the trader

- 12 What document is sent by a supplier to a buyer to correct an undercast on an invoice?
- A credit note
  - B debit note
  - C purchases invoice
  - D sales invoice
- 13 Which of the following is a capital receipt?
- A commission earned
  - B dividends earned from investments
  - C interest received from debtors
  - D proceeds from the sale of machinery
- 14 On 3 June 2014 Tatenda bought goods on credit from Shuvai, list price \$8 000 less 15% trade discount.
- On 7 June 2014 she returned goods with a net value of \$700 to Shuvai.
- On making payment on 15 June 2014 she was offered a cash discount of 5%.
- How much did Tatenda pay?
- A \$5 795
  - B \$6 100
  - C \$6 460
  - D \$7 125
- 15 Which item is **not** entered in a debtors ledger control account?
- A contra entries
  - B dishonoured cheques
  - C provision for bad debts
  - D cash received from debtors
- 16 A bank overdraft differs from a bank loan in that
- A collateral security is required.
  - B interest paid on it is high.
  - C it is repaid over a long period of time.
  - D it is given to current account holders only.

- 17 Subscriptions received in advance are recorded in the statement of financial position as a
- A current asset.
  - B current liability.
  - C non-current asset.
  - D non-current liability.

- 18 A business provided the following information.

	\$
Cash book bank balance	2 400 debit
Credit transfer not entered in the cash book	1 650

A cheque payment of \$4 600 was wrongly entered in the cash book as \$6 400.

What was the updated cash book balance?

- A \$2 250 credit
  - B \$2 250 debit
  - C \$5 850 credit
  - D \$5 850 debit
- 19 Dishonoured cheques are recorded on the
- A credit side of the bank statement.
  - B credit side of the debtor's account.
  - C debit side of the bank statement.
  - D debit side of the cash book.
- 20 On 31 December 2013 the trial balance of a trader failed to balance. The credits exceeded the debits by \$300.
- The difference should be
- A debited to the Suspense Account.
  - B credited to the Suspense Account.
  - C debited to the Profit and Loss Account.
  - D credited to the Profit and Loss Account.

- 21 Cash received from the sales of a motor vehicle is credited to the
- A cash discount.
  - B motor vehicle account.
  - C motor vehicle disposal account.
  - D sales account.
- 22 A motor vehicle was purchased at a cost of \$35 000 on 1 January 2014. It was depreciated at 25% per annum on cost.

On 31 December 2014 the motor vehicle was sold for \$27 500 cash.

What was the profit or loss on sale?

- A \$1 250 profit
  - B \$1 250 loss
  - C \$7 500 profit
  - D \$7 500 loss
- 23 The double entry for recording the share of loss in a partnership is

	debit	credit
A	appropriation account,	partners' capital accounts.
B	appropriation account,	partners' current accounts.
C	partners' capital accounts,	appropriation account.
D	partners' current account,	appropriation account.

- 24 The following information was taken from the books of a social club.

	\$
Sale of refreshments	39 700
Owing to suppliers on 1 January 2014	1 800
Paid to suppliers during the year	26 800
Owing to suppliers on 31 December 2014	2 200

What was the profit on the sale of refreshment?

- A \$8 900
- B \$12 500
- C \$12 900
- D \$13 300

25 At the end of a financial year, carriage outwards is charged to the

- A purchases account.
- B profit and loss account.
- C sales account.
- D trading account.

26 How should inventory be valued?

- A higher of cost and net realisable value
- B higher of cost and selling price
- C lower of cost and net realisable value
- D lower of cost and selling price

27 The journal of a trader showed the following entry.

	Debit	Credit
	\$	\$
B. Mushava	15 000	
B. Nyatongo		15 000

Mushava and Nyatongo are suppliers of the trader.

What type of error is the journal entry correcting?

- A commission
- B omission
- C principle
- D transposition

28 The following information relates to the business of T. Mpala.

	\$
Electricity prepaid on 1 January 2014	1 000
Payments for electricity during 2014	20 000
Electricity owing on 31 December 2014	5 000

The amount charged to the profit and loss account was

- A \$16 000.
- B \$20 000.
- C \$24 000.
- D \$26 000.

29 Which transaction affects working capital?

- A cash deposited into the bank
- B cash payment to a creditor
- C cheque received from a debtor
- D credit purchase of stationery

30 Given:

	\$
Purchases of raw materials	50 000
Inventory: raw materials, 1 January 2014	10 000
raw materials, 31 December 2014	12 000
Direct factory wages	36 800
Royalties	9 600

The prime cost is

- A \$84 800.
- B \$94 400.
- C \$98 400.
- D \$118 400.

31 The following account appeared in the ledger of W. Hassim.

Business Purchase Account

	\$		\$
2014			
Jan 1 M. Patel	140 000		2014
Liabilities	<u>17 620</u>		Jan 1 Assets
	<u>157 620</u>		<u>157 620</u>

What does the entry "M. Patel \$140 000" represent?

- A agreed purchase price
- B amount paid by M. Patel
- C amount received by W. Hassim
- D value of goodwill



- 32 The following information was provided by a business on 31 December 2014.

	\$
Capital	483 250
Non-current assets	567 800
Mortgage on premises	160 000
Current liabilities	89 470

What is the value of current assets?

- A \$75 450  
 B \$84 550  
 C \$155 080  
 D \$164 920
- 33 Which of the following is entered in the statement of financial position as a liability?
- A a credit balance in the interest payable account  
 B a credit balance in the sales account  
 C a debit balance in a customer's account  
 D a debit balance in the stationery account
- 34 A business provided the following information on 31 December 2014.

	\$
Current assets	90 000
Inventory	30 000
Current liabilities	40 000

What is the acid test ratio?

- A 1,24: 1  
 B 1,5: 1  
 C 2,25: 1  
 D 3,0: 1

- 35 Mhlanga and Mlambo are equal partners. Interest on capital is allowed at the rate of 10% per annum.

They provided the following information for the year ended 31 December 2014.

		\$
Capitals:	Mhlanga	120 000
	Mlambo	90 000
Annual salary:	Mlambo	18 000
Net profit for the year		57 000

What was Mhlanga's share of profit?

- A \$9 000  
 B \$19 500  
 C \$28 500  
 D \$30 000
- 36 On the admission of a new partner, loss on the revaluation of assets is entered in the old partners' capital accounts on the
- A credit side in the old profit and loss sharing ratio.  
 B credit side in the new profit and loss sharing ratio.  
 C debit side in the old profit and loss sharing ratio.  
 D debit side in the new profit and loss sharing ratio.
- 37 A business provided the following information for the year ended 31 December 2014.

	\$
Capital, 31 December 2014	192 000
Net loss for the year	18 000
Drawings for the year	25 000

The amount of capital on 1 January 2014 was

- A \$149 000.  
 B \$185 000.  
 C \$199 000.  
 D \$235 000.

38 One of the differences between ordinary shares and preference shares is that ordinary shares

- A earn a fixed rate of dividend.
- B have voting rights.
- C receive a fixed rate of interest.
- D receive dividends before preference shares.

39 Which item appears in the appropriation account of a joint stock company?

- A debentures
- B debenture interest
- C dividends
- D issued share capital

40 The following information relates to a company.

<u>Authorised share capital</u>	\$
500 000 ordinary shares of \$1 each	500 000
200 000 8% preference shares of \$1 each	200 000
 <u>Issued share capital</u>	
400 000 ordinary shares of \$1 each	400 000
150 000 8% preference shares of \$1 each	150 000
 10% debentures	 100 000

Total capital funds amount to

- A \$550 000.
- B \$650 000.
- C \$1 250 000.
- D \$1 350 000.