

PAPER 1 QUESTIONS

- 1 What is the purpose of accounting?
 - A to enter each business transaction twice in the books of account
 - B to prepare financial statements and provide information for decision making
 - C to prove that the total of the debit entries equals the total of the credit entries
 - D to provide financial information for the business's bank manager

- 2 How would a business owner know that he is receiving a return on his investment?
 - A His bank account is no longer overdrawn.
 - B His drawings have increased.
 - C His income statement shows a profit for the year.
 - D His working capital has increased during the year.

- 3 What is the correct order of processing accounting data using the double entry system?
 - A business documents, journals, ledgers, trial balance
 - B journals, business documents, ledgers, trial balance
 - C ledgers, business documents, trial balance, journals
 - D trial balance, business documents, ledgers, journals

- 4 Ada bought goods on credit from Zuri. Later, she returned some of the goods to Zuri.

How did Ada record the return in her books?

	account debited	account credited
A	purchases returns	Zuri
B	sales returns	Zuri
C	Zuri	purchases returns
D	Zuri	sales returns

- 5 Samir owns a shop. To determine his selling price he marks up his inventory by 50%. He took inventory for his own use costing \$100 but did not pay for it.

How should this be entered in the accounts?

	debit	credit
A	drawings \$100	purchases \$100
B	drawings \$150	purchases \$150
C	trade receivables \$100	sales \$100
D	trade receivables \$150	sales \$150

- 6 In April, Meena sent Ralph invoices for \$170, \$240, \$125 and a credit note for \$63. In the same month, Ralph sent Meena a debit note for \$70 and a cheque for \$107. There was no opening balance on Meena's account at the start of April.

What was the balance on Meena's account in Ralph's books on 1 May?

- A** \$295 credit
B \$295 debit
C \$365 credit
D \$365 debit
- 7 On 1 May, Bashir purchases goods on credit with a list price of \$200. He is given a trade discount of \$20. If payment is made within 28 days a cash discount of \$10 will be given.

Which amount is credited to the supplier's account on 1 May?

- A** \$170 **B** \$180 **C** \$190 **D** \$200
- 8 The following errors were found after a trial balance had been completed.

The total of the sales account was overstated by \$25.

The total of the wages account was overstated by \$25.

Which statement is correct about the trial balance that had been completed?

- A** The total of the debit column was \$25 more than that of the credit column.
B The total of the credit column was \$50 more than that of the debit column.
C The total of the debit column was \$50 more than that of the credit column.
D The total of the debit column and the total of the credit column were equal.

9 The following trial balance failed to balance.

	debit \$	credit \$
premises at cost	60 000	
fittings at cost	20 000	
provision for depreciation of fittings		4 000
bank loan	30 000	
purchases	85 904	
sales		181 657
general expenses		16 471
trade receivables	9 384	
trade payables	7 168	
wages	34 000	
bank overdraft	1 477	
cash in hand	236	
opening inventory		4 577
capital		6 270

Which items have been entered onto the **wrong** side of the trial balance?

- A bank loan, general expenses, trade payables, bank overdraft, opening inventory
- B purchases, sales, trade payables, bank overdraft, cash in hand
- C premises at cost, bank loan, sales, trade payables, opening inventory
- D trade payables, trade receivables, wages, cash in hand, capital

PAPER 2 QUESTIONS

Question 1

An experienced book keeper prepared the following trial balance for Alia's business on 31 August 2018. The trial balance did not balance.

Trial Balance at 31 August 2018		
	Debit	Credit
	\$	\$
Revenue		19600
Purchases	9800	
Inventory at 31 August 2018	730	
General expenses	230	
Non-current assets	18750	
Bank overdraft	30	
Motor vehicle expenses		650
Trade receivables	1090	
Trade payables		2990
Capital		9000
	<u>30630</u>	<u>32240</u>

Additional information

Inventory at 1 August 2018 was \$870

REQUIRED

Prepare the corrected trial balance

Trial Balance at 31 August 2018		
	Debit	Credit
	\$	\$
Revenue		
Purchases		
Inventory at 31 August 2018		
General expenses		
Non-current assets		
Bank overdraft		
Motor vehicle expenses		
Trade receivables		
Trade payables		
Capital		

(5 marks)

Question 2

Chung is a trader who buys and sells on cash and credit terms. He provided the following information for April 2017.

- April 1 Chung owed Delun, a credit supplier, \$1500.
- 10 Chung purchased goods on credit from Delun, list price \$1400, less 20% trade discount.
- 15 Chung returned to Delun some of the goods purchased on 10 April, list price \$200.
- 23 Chung paid the balance owed to Delun at 1 April by cheque and was allowed 2% cash discount.

REQUIRED

- (a) Prepare the account of Delun in the ledger of Chung for April 2017. Balance the account and bring down the balance on 1 May 2017.

Delun account

Date	Details	\$	Date	Details	\$

[5]

- (b) State the sub-division of Chung's ledger which would contain the account of Delun.
.....[1]

- (c) Name the document that was issued by Delun to Chung on the following dates.
April 10 Chung purchased goods on credit from Delun.
Document
April 15 Chung returned to Delun some of the goods purchased on 10 April.
Document[2]

- (d) Name the document which Delun may issue to Chung on 30 April 2017.
.....[1]

- (e) Complete the table to state the effect of **each** of the following transactions made by Chung in April 2017. Where there is no effect write 'No effect'. The first transaction has been completed as an example.

Transaction	Assets \$	Liabilities \$	Capital \$
Purchased goods on credit at a cost of \$500	+500	+500	No effect
Sold goods on credit for \$700 (cost \$400)			
Paid Yang, a credit supplier, \$2050 in full settlement of a debt of \$2200			
Purchased goods, \$130, and paid in cash			

[9]

- (f) State **two** reasons why book-keeping records are maintained.

1

.....

2

..... [2]

[Total: 20]

Question 3

Rasheed started a business on 1 October 2021. He maintains a petty cash book in the business. A monthly imprest of \$100 is restored on the first day of each month.

REQUIRED

(a) State **two** advantages of maintaining a petty cash book.

- 1
-
- 2
- [2]

Rasheed's transactions for the month of September 2022 were as follows.

		\$
September 2	Paid taxi fare	12
7	Paid purchases ledger account of Crystal	16
13	Bought postage stamps	10
18	Paid purchases ledger account of Kalpa	15
25	Paid bus fare	5
29	Paid cleaner	28

REQUIRED

(b) Complete Rasheed's petty cash book for the month of September 2022 on the next page.

Balance the petty cash book and bring down the balance on 1 October 2022. Clearly show the amount required to restore the imprest.

[8]

(c) Record the entries which would be made in the following accounts in September 2022. It is **not** necessary to total or balance the accounts.

Rasheed
Postage account

Date	Details	\$	Date	Details	\$
.....
.....

Purchases ledger
Crystal account

Date	Details	\$	Date	Details	\$
.....
.....

Question 4

Saira is a trader. The following transactions took place in January 2023.

- Jan 2 Rent received, \$360, was paid directly into the bank account
- 4 Paid \$343 to Jai by telephone transfer, having deducted 2% cash discount from the amount due
- 7 Paid cash, \$33, for motor expenses
- 13 Cash sales, \$395, were paid directly into the bank account
- 17 Paid \$194 to David, by electronic transfer, having deducted 3% cash discount from the amount due
- 20 Received a cheque, \$388, from Ivan, in full settlement of a debt of \$400
- 27 Withdrew cash, \$150, from the bank for business use
- 29 Paid \$124, cash, for wages

REQUIRED

- (a) Prepare Saira's cash book on the page opposite.
Balance the cash book and bring down the balances at 1 February 2023.

