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CSEC POA June 2006 P1

1. Which of the following items on a balance sheet would differ MOST in presentation when comparing the books of a company and books of a sole trader?

(A) Capital
(B) Current Assets
(C) Current Liabilities
(D) Fixed Assets

2. A trader bought goods worth $800 less 10% trade discount. How much did he pay for the goods?

(A) $700
(B) $720
(C) $760
(D) $880

3. A trader draws up a trial balance to

(A) ascertain the need for a suspense account
(B) check for errors in the balance sheet
(C) ascertain the total amounts owing to him and by him
(D) test the arithmetic accuracy of double-entry postings

Item 4 refers to the following list of balances.

	$
Motor vehicle	2 000
Creditors	3 000
Debtors	2 000
Capital	11 000
Building	10 000

4. What is the total of the assets?

(A) $12000
(B) $13000
(C) $14000
(D) $15000

Item 5 refers to the following information

Stock at Jan. 1, 2006	$ 500
Purchases during the month	$1 200
Cost of goods sold	$1 400

5. What is the stock at the end of January?

(A) $ 300
(B) $ 700
(C) $ 500
(D) $1200

6. Which of the following would NOT be considered part of the prime cost of manufactured goods?

(A) Office manager's wages
(B) Machine operator's wages
(C) Raw materials used
(D) Freight on raw material

7. The purchase of a motor van on credit from Things Caricom Motors Co. for use in the business should be recorded as

(A) debit Motor Van Expense Account, credit Bank Account
(B) debit Purchases Account, credit Things Caricom Motors Co. Account
(C) debit Motor Vehicle Account, credit Bank Account
(D) debit Motor Vehicle Account, credit Things Caricom Motors Co. Account

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8. A photo-copying machine valued at $5 000 is depreciated at 10% using the straight line method. What is its book value after two years?

(A) $4 000
(B) $4 050
(C) $4 500
(D) $4 980

9. The purpose of an appropriation account is to

(A) change capital expenditure as agreed upon in the Articles of Association
(B) show how the net profit is distributed in a partnership or co-operative
(C) make appropriate changes related to net profit as agreed upon in the Articles of Association
(D) enter all capital and revenue expenditure as stipulated in the Partnership Act

10. The summarized position of Foster and Scott Limited at March 6, 2006 was:

	$
Current Liabilities	60 000
Current Assets	100 000
Fixed Assets	200 000
Long-Term Liabilities	150 000

What was the capital of Foster and Scott Limited at March 6, 2006?

(A) $ 40 000
(B) $ 90 000
(C) $150 000
(D) $190 000

11. Which of the following is NOT a nominal account?

(A) Carriage Inwards
(B) Commission
(C) Furniture
(D) Discount Allowed

12. Maria purchased $1 000 worth of furniture for office use and entered it in the Journal as purchases. How will this error affect her Balance Sheet?

(A) Fixed Assets and Net Profit will be decreased by $1 000.
(B) Fixed Assets and Net Profit will be increased by $1 000.
(C) Current Assets and Net Profit will be increased by $1 000.
(D) Current Assets and Net Profit will not be affected.

13. Which of the following groups contains current assets only?

(A) Vehicles, equipment, machinery, typewriter
(B) Debtors, stocks, creditors, cash at bank
(C) Bank overdraft, machinery, debtors, stocks
(D) Stocks, cash at bank, debtors, cash in hand

14. Ram Singh purchases goods valued at $500 on credit. He paid off his bill within the grace period and so received a 10% cash discount. How much does he pay the firm?

(A) $ 50
(B) $450
(C) $490
(D) $550

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15. Under which of the following conditions would a trial balance still balance?

I. A transaction was completely left out.
II. Both a debit and credit entry were overstated by the same amount.
III. A debit entry was left out.
IV. Both a debit and credit entry were understated by the same amount.

(A) I, II and III only
(B) I, II and IV only
(C) I, III and IV only
(D) II, III and IV only

Items 16 - 18 refer to the following Balance Sheet of T. Lagoon:

T. Lagoon Balance Sheet as at December 31, 2005

Capital	23 000	Fixtures and fittings	1 000
Add Net Profit	800	Motor vans	20000
	23 800	Stock	13000
Less Drawings	2 000	Debtors	2 000
	21 800	Cash	100
Creditors	6 300		
Bank overdraft	8 000		
	36100		36100

16. What is Lagoon's working capital?

(A) $500
(B) $600
(C) $750
(D) $800

17. What is Lagoon's total fixed assets?

(A) $21 000
(B) $31 000
(C) $33 000
(D) $34 000

18 What is Lagoon's total current assets?

(A) $15 100
(B) $21 000
(C) $22 500
(D) $33 100

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19. A business which owns goods valued at $500, also has a van valued at $1 000; it owes $50 for goods. If it sells out at these prices the owner's closing capital will be

(A) $1 500
(B) $1 550
(C) $1 450
(D) $1 050

20. Which of the following formulae is used to calculate "take home pay"?

(A) Gross pay - Net pay
(B) Net Pay + Deductions
(C) Gross Pay - Deductions
(D) Net pay + Gross pay

21. A proprietor wins a motor van valued $10000 and decides to put it into the business. Which of the following is the correct entry?

(A) Debit Motor Vehicles Account, Credit Drawings Account.
(B) Debit Capital Account, Credit Motor Vehicles Account.
(C) Debit Motor Vehicles Account, Credit Capital Account.
(D) Debit Bank Account, Credit Capital Account.

22. If the following lists of assets found on the Balance Sheet of a retail trader are arranged in order of liquidity, the sequence would be

(A) Motor van, Building, Bank, Fixtures, Cash, Debtors
(B) Cash, Fixtures Debtors, Bank, Building, Motor van
(C) Cash, Bank, Fixtures, Debtors, Motor van, Building
(D) Cash, Bank, Debtors, Fixtures, Motor van, Building

23. In which journal are the invoices customers entered?

(A) Sales
(B) Purchases
(C) Return Inwards
(D) Return Outwards

24. If a buyer's invoice has been overstated; the seller should send him a

(A) debit note
(B) corrected invoice
(C) credit note
(D) returns voucher

25. Which of the following transactions should be entered in the Petty Cash Book?

(A) Salary payments
(B) Postage stamp purchases
(C) Monthly subscriptions
(D) Wage deductions

26. If the value of fixed assets is subtracted from total assets and the remainder is reduced by the value of current liabilities, the result obtained is referred to as

(A) current assets
(B) owner equity
(C) working capital
(D) long-term liabilities

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27. The balances of the asset accounts of the Bayroe Club as at June 30, 2005 were:

Premises	$5 400
Equipment	$1 825
Furniture	$ 960
Bank & Cash	$1 640
Stock of refreshments	$ 72

The amount of the accumulated fund was

(A) $1 640
(B) $4 497
(C) $8 185
(D) $9 897

Item 28 refers to the information given in the table below.

Type of share	No. of Units	Par value
Ordinary	20 000	$2.00
5% Preference	10 000	$5.00

28. A public limited company issued a prospectus offering the shares, described in the table above, for sale at par value.

The issue was fully subscribed. How much capital did the company raise?

(A) $30 000
(B) $40 000
(C) $50 000
(D) $90 000

29. The net profit of a firm was shown as $1 600 and it was later discovered that discounts received were undercast by $10 and purchases were understated by $36. The corrected net profit was

(A) $1 574
(B) $1 610
(C) $1 636
(D) $1 646

30. What is the name of the document usually under a company's seal and which acknowledges a loan to the company at a fixed rate of interest?

(A) Memorandum
(B) Debenture Bond
(C) Mortgage Deed
(D) Stock Certificate

31. During the year a company bought stationery for $220 and used an amount worth $120. How much of the stock of stationery would you find in the Balance Sheet?

(A) $100
(B) $120
(C) $220
(D) $340

32. The amount of money given to the petty cashier at the start of a period is known as the

(A) dividend
(B) imprest
(C) premium
(D) loan

33. A businessman incurred the following expenses:

Factory repairs	$6 000
Machinery repairs	$2 000
New machine	$3 000
New vehicle	$7 000

What is the total capital expenditure?

(A) $ 6 000
(B) $ 7 000
(C) $ 8 000
(D) $10 000

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34. Joyce and Keller are in partnership having capital of $14 000 and $18 000 respectively. Before admitting a new partner, Wong, with $10 000, into the business, they agreed that the partnership be valued at $42 000. The goodwill is therefore

(A) $ 1 000
(B) $ 2 000
(C) $ 8 000
(D) $10 000

35. The main reason why a sole proprietor may consider joining with one or more persons to form a partnership is that

(A) he can work less if many people are doing the same job
(B) the business would attract more customers
(C) the business would get additional capital and management skills
(D) the business would be recognised by the government

36. An employee works for 45 hours each week at $4 per hour for a 40 hour week and $6 per hour for overtime. His gross weekly wage is

(A) $180
(B) $190
(C) $240
(D) $270

37. On 1st May, R. Brown's opening capital was $3 000; on 7th May he withdrew $ 400 and on 31st May his closing capital was $5 000. What was his net profit?

(A) $8 400
(B) $7 400
(C) $2 400
(D) $1 600

38. A Suspense Account was opened for an error of $30 found in the trial balance. Later it was observed that sales were understated by $30. This item would be corrected in the journal by

(A) Dr. Trading,
Cr. Suspense
(B) Dr. Suspense,
Cr. Goods
(C) Dr. Sales,
Cr. Suspense
(D) Dr. Suspense,
Cr. Sales

39. S. Thomas purchased a machine for $3 250 from Grell & Co. Ltd., paying $1 250 in cash and the balance in 10 days. Which is the correct procedure for recording this transaction?

(A) Debit machinery a/c $3 250
Credit cash a/c $2 000.
(B) Debit purchases a/c $3 250
Credit Grell Co. Ltd. $3 250.
(C) Debit machinery $3 250
Credit cash a/c $1 250
Credit Grell & Co. Ltd. $2 000.
(D) Debit Grell & Co. Ltd a/c $2 000
Debit cash a/c $1 250
Credit purchases a/c $3 250.

Item 40 refers to the following information.

On March 1, 2006, Mr Arthur purchased $600 worth of goods for resale. He received a 3% trade discount on this amount. The invoice also stated 2% 20 days, net 30 days. Mr Arthur settled the amount, paying by cheque on March 15, 2006.

40. What was the amount Mr Arthur received as Trade Discount?

(A) $16
(B) $18
(C) $20
(D) $22

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41. The reward of profit received by a shareholder in a limited company is called

(A) commission
(B) interest
(C) drawings
(D) dividend

42. The following deductions are made from the salary of an employee.

DEDUCTIONS	
Income tax	35%
National housing	2%
Education tax	1%

What is the total amount which should be deducted from the employee's salary of $1 800 per month?

(A) $486
(B) $648
(C) $684
(D) $846

43. Mrs Allen invested $20 000, Mrs Brown invested $5 000 and Mr Cable invested $5 000 in the same business. The loss sustained during the year was $1 000. The Partnership Agreement is silent on the item of losses, although profits are to be split in the ratio, $\frac{2}{5}$, $\frac{2}{5}$, $\frac{1}{5}$ in favour of Allen, Brown and Cable respectively. How much of the loss must be borne by Mr Cable?

(A) $200
(B) $240
(C) $300
(D) $400

44. A business controlled by two or more persons with a view to sharing profits is called a

(A) private company
(B) public limited company
(C) partnership
(D) proprietorship

45. What would be the effect of purchasing equipment on credit, on the Balance Sheet of a business?

(A) Asset increased; Liability decreased
(B) Asset increased; Liability increased
(C) Asset decreased; Liability increased
(D) Asset decreased; Liability decreased

46. Which of the following BEST describes a trial balance?

I. A list of balances of accounts
II. A financial statement
III. An account
IV. A check on the accuracy of the double entry system

(A) I and II only
(B) I and IV only
(C) I, II and III only
(D) I, III and IV only

Item 47 refers to the balances extracted from Mr Martin's ledger and shown below.

	$
Opening stock	7 000
Purchases	4 000
Sales	10 000
Sundry expenses	1 100
Closing stock	3 400

47. What was the cost of goods sold by Mr Martin?

(A) $2 400
(B) $2 600
(C) $6 400
(D) $7 600

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48. Credit notes issued for goods returned by customers will be entered first in the

(A) Returns Outward Book
(B) Returns Inward Book
(C) Sales Returns and Allowances Account
(D) Purchases Returns and Allowances Account

Items 49 - 50 refer to the following balances taken from the books of Sherida's Ltd. on April 30, 2005.

BALANCE	
Rent Owing	$ 200
Cash	$3 500
Creditors	$1 200
Prepaid Insurance	$ 300
Bank Overdraft	$ 400

49. What is the working capital of Sherida's Ltd?

(A) $2 000
(B) $2 400
(C) $3 600
(D) $3 800

50. What is the current ratio of Sherida's Ltd?

(A) 1 : 1
(B) 1.5 : 1
(C) 2.1 : 1
(D) 3 : 1

Item 51 refers to the following information.

Insurance A/c

Dr 2005		$	2005		Cr $
Jan. 2	Balance b/d	700	Dec. 31	Profit & Loss A/c	8 100
Jan. 15	Bank	8 000	Dec. 31	Balance c/d	600
		$8 700			$8 700

51. What is the amount of Insurance Prepaid at the start of the period?

(A) $ 700
(B) $ 600
(C) $8 000
(D) $8 100

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52. K. Khan, a debtor of A and B Enterprises settles his debt of $120 less 2½% discount, by cheque. The double entry in the books of A and B Enterprises should be

(A)
Dr. K. Khan	$117
Dr. Discount Received	$ 3
Cr. Bank	$120

(B)
Dr K. Khan	$117
Dr. Discount Allowed	$ 3
Cr. Bank	$120

(C)
Dr. Bank	$117
Dr. Discount Allowed	$ 3
Cr. K. Khan	$120

(D)
Dr. Bank	$117
Cr. Discount Received	$ 3
Cr. K. Khan	$120

53. If the closing stock is undervalued, which of the following will result?

(A) Net profit overvalued; gross profit undervalued
(B) Cost of goods sold overvalued; gross profit undervalued
(C) Gross profit overvalued; net profit undervalued
(D) Goods available for sale undervalued; gross profit overvalued

54. In an effort to raise capital, a company offered for subscription two hundred 5% debentures of $100 each.

What is the significance of the 5%?

(A) The company's capital will increase by 5%.
(B) The company will receive 5% of $20 000 as capital.
(C) The company will receive 5% of $20 000 in interest from the debenture holder.
(D) The company will pay 5% of $20 000 in interest to the debenture holder.

55. A Sales Invoice shows 10 items at $210 each, trade discount 20% and cash discount 5%. How much should the customer pay if he pays within the credit period?

(A) $ 157.50
(B) $ 159.60
(C) $1 596.00
(D) $1 675.00

56. The assets of a business total $3 200 and the liabilities total $820. What is its capital?

(A) $2 038
(B) $2 380
(C) $4 000
(D) $4 020

57. Patrick is to join Dennis and Tony in partnership. Patrick brings to the partnership as capital, furniture valued at $3 000 and a motor van worth $5 000. In addition, he is to pay a premium of $1 000 to be shared between Dennis and Tony. How much is Patrick's capital?

(A) $4 000
(B) $6 000
(C) $8 000
(D) $9 000

58. Which of the following would be prepared in order to reveal the net earnings of a business?

(A) Trading Account
(B) Balance Sheet
(C) Trial Balance
(D) Profit and Loss Account

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Item 59 refers to the following information.

	$
Debtors at start of the year	8 200
Cash received from debtors during year	17 400
Debtors at end of the year	9 300

59. The above information was provided by a trader. How much were his credit sales for the year?

(A) $16 300
(B) $18 500
(C) $25 600
(D) $26 700

60. A firm's Cash Book showed a bank balance of $1 750. The bank statement showed bank charges of $33, and $77 interest received, which were not entered in the Cash Book. What was the bank statement balance?

(A) $1 706
(B) $1 750
(C) $1 794
(D) $1 860

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.