1. Which of the following is a prime cost in manufacturing accounts?

(A) Depreciation
(B) Direct wages
(C) General expenses
(D) Production overhead

2. Which of the following would NOT appear in a Cash Book?

(A) Goods sold on credit $100
(B) Payment for goods $100
(C) Goods bought for cash $100
(D) Sold goods for cash $100

3. You can determine the true bank balance of a business when the Cash Book balance differs from the balance on the bank statement by preparing a

(A) Statement of Affairs
(B) Revised Bank Statement
(C) Bank Reconciliation Statement
(D) Statment of Receipts and Expenses

4. Control accounts are kept to assist management in

(A) locating errors
(B) increasing profits
(C) limiting drawings
(D) limiting expenditure

5. No record was made of $503 for goods sold to L. Stoke. This is

(A) a compensating error
(B) an error of original entry
(C) an error of principle
(D) an error of omission

Item 6 refers to the following extract from a trading account:

	$
Opening stock	200
Sales	900
Purchases	500
Closing stock	300

6. What is the gross profit?

(A) $100
(B) $300
(C) $500
(D) $800

7. At the beginning of the year, the capital of a business was $28 000. At the end of the year the capital was $33 000. During the year the owner withdrew $2 000 for personal use. What is his net profit for the year?

(A) $ 5 000
(B) $ 7 000
(C) $30 000
(D) $61 000

8. Which of the following accounts shows how profits and losses are shared among partners?

(A) Current Account
(B) Appropriation Account
(C) Profit and Loss Account
(D) Income and Expenditure Account

9. Cost of raw materials used plus other direct costs will result in

(A) raw materials available for use
(B) total production overhead
(C) production cost
(D) prime cost

10. 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 new owner's closing capital will be

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

11. The working capital of A. Young and Sons is $15 500, and Current Assets is $16 500. What is the TOTAL current liabilities?

(A) $ 1 000
(B) $15 500
(C) $16 500
(D) $32 000

12. To which account should depreciation of office machines be transferred?

(A) Trading
(B) Appropriation
(C) Manufacturing
(D) Profit and Loss

13. S. Thomas purchased a machine for $3 250 from Grell and 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

14. P. Amos is employed by a construction company at a rate of $7 per hour. During the week of April 6, 2001, he worked his basic week of 40 hours. The income tax due on his pay is $20, and he is also liable to pay social security contributions of 5% of his gross pay. His net pay is

(A) $246
(B) $260
(C) $266
(D) $280

Item 15 refers to the following list of balances.

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

15. What is the TOTAL value of the assets?

(A) $12 000
(B) $13 000
(C) $14 000
(D) $15 000

16. The MAIN reason why a sole proprietor may consider joining with ONE or MORE other persons to form a partnership is that

(A) he can work less if many people are involved in the business
(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

17. 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

18. A machine costs $6 200. It will be kept for FIVE years and then sold at a scrap value of $200. The depreciation for EACH year using the straight line method will be

(A) $1 000
(B) $1 200
(C) $1 240
(D) $1 280

19. 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

20. 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

21. A proprietor wins a motor van valued $10 000 and decides to use it in 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. Brown lends Williams $5 000 at an interest of 10% per annum. To which of the following accounts would the interest be credited in Brown's ledger?

(A) Loan
(B) Williams'
(C) Interest payable
(D) Interest receivable

23. Raw materials stock, work in progress stock, and finished goods stock, are items MOST likely seen together on the balance sheet of a

(A) garage
(B) shoe factory
(C) supermarket
(D) bus company

24. A discount which a businessman offers for prompt payment for goods purchased will be entered in his triple-column cash book under the

(A) Discount Received column
(B) Discount Allowed column
(C) Cash column
(D) Bank column

25. Which of the following statements indicate the CORRECT entry in ledger accounts?

I. All assets on the debit side
II. All liabilities on the credit side
III. All expenses on the credit side
IV. All gains on the debit side

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

26. In a co-operative society, the daily affairs are administered by

(A) a majority of shareholders
(B) all members meeting together
(C) the chairman of the board only
(D) persons elected or appointed to do so

27. 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) $4000
(B) $4050
(C) $4500
(D) $4980

28. Mr Abel and Mr Blue purchased goods on credit to the value of $50 and $75 respectively from Mr Kane. Another customer paid cash for goods amounting to $550. Mr Kane took goods for himself amounting to $500. Which of the following figures represents the balance in Mr Kane's Sales Account?

(A) $ 125
(B) $ 425
(C) $ 675
(D) $ 925

Item 29 refers to the following table.

W's Capital	$300
X's Capital	$200
Y's Capital	$100
Z's Capital	$300

29. W, X, Y and Z are partners sharing profits and losses in proportion to their capital. The capital of each is shown in the table above.

What is Z's share of a profit of $7 200?

(A) $ 800
(B) $1 200
(C) $1 800
(D) $2 400

Items 30 - 31 refer to the table below which shows a Trader's operation at the end of the trading period.

	$		$
Sales	83 868	Stock at start	9 850
Sales Return	1 570	Stock at close	11 075
Discounts Allowed	911	Purchases	52 640
		Purchases Returns	762

30. The cost of goods sold is

(A) $49 742
(B) $50 653
(C) $51 415
(D) **$53 103**

31. The gross profit is

(A) $31 645
(B) $33 215
(C) $34 023
(D) **$80 025**

GO ON TO THE NEXT PAGE

Items 32 - 33 refer to the following information.

			Dr $	Cr $	Balance $
Dec.	1	Bal. b/f			60
	5	Cheque		90	
	14	Unit Trust: Standing Order	100		
	20	P. Palmer: Credit Transfer		30	
	29	Bank Charges	85		

32. The balance as per Bank Statement on Dec. 29 was a

(A) credit balance of $5
(B) debit balance of $5
(C) debit balance of $65
(D) credit balance of $125

33. What does the Bank Statement balance represent?

(A) An overdraft
(B) A direct debit
(C) A credit transfer
(D) A dishonoured cheque

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34. Mr Smith does not keep proper records. He began business with $10 000 in the business bank a/c. He uses his vehicle and building worth $6 000 and $15 000 respectively, as part of his business. Customers owe him $4 000. He withdrew $1 500 for personal use and owed creditors $2 000.

What is the closing capital of the business?

(A) $25 500
(B) $28 500
(C) $31 500
(D) $41 500

35. 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

36. If a new partner pays $3000 for a $\frac{1}{6}$ share of profits, then the TOTAL goodwill value is

(A) $ 500
(B) $ 3000
(C) $ 9000
(D) $18000

37. 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 38 refers to the following Appropriation Account.

Appropriation Account

	$		$
Taxation reserve	10 000	By balance	894.50
Preliminary expenses	250	Net profit	26 106.50
Transfer to general reserve	4 000		
Preference share dividend	1 200		
Ordinary share dividend	6 000		

38. What conclusions could be drawn from the above Appropriation Account?

I. The company is not doing very well.
II. The company has recently come into existence.
III. The company is engaged in profitable enterprise.
IV. More dividends can be paid to the ordinary share holders.

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

Item 39 refers to the following information.

Mohammed Patel,
Statement of Affairs
As at December 31, 2006

	$		$	$
Fixed assets	2 500	Capital at beginning	3 000	
Current assets	3 000	+ Net profit	?	
		- Drawings	(300)	
		Capital at end		?
		Liabilities		1 500
	5 500			5 500

39. What is Mohammed Patel's net profit for the year?

(A) $ 1 300
(B) $ 1 500
(C) $ 1 600
(D) $ 1 800

GO ON TO THE NEXT PAGE

Item 40 refers to the following information.

SALES LEDGER CONTROL ACCOUNT

2006	$	2006		$
April 01 Balance b/d	3 550	April 30	Bank	1 700
			Discounts Allowed	100
April 30 Sales for the month	?		Returns Inwards	300
			Bad Debts	400
			Balance c/d	3 100
	5 600			5 600

40. From the Sales Ledger Control Account above, the value of sales for the month of April is

(A) $2 050
(B) $3 100
(C) $3 550
(D) $5 600

---

41. A company is allowed by law to sell 100 000 shares at $1.00 each. Half of these shares were bought by the public.

What is the authorized capital?

(A) $ 40 000
(B) $ 50 000
(C) $ 80 000
(D) $100 000

Item 42 refers to the following information.

	$
Beginning capital	30 000
Ending capital	40 000
Drawing during period	4 000
Additional investment during period	3 000

42. What is the amount of net income or loss for the period?

(A) $ 7 000
(B) $ 9 000
(C) $11 000
(D) $17 000

43. The excess of the income over the expenditure of a non-profit-making organization is called

(A) gross profit
(B) net profit
(C) accumulated fund
(D) surplus

44. The MAIN parts of the accounting cycle are

I. collecting source documents
II. entering transactions in the books of original entry
III. posting to ledgers and extracting trial balance
IV. preparing trading and profit and loss accounts and drawing up the balance sheet

The order in which all transcations are recorded in a double entry set of books in each accounting period is

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

GO ON TO THE NEXT PAGE

45. Payne and Quarless decided to admit Rose as a new partner. The total capital after the admission of Rose will be $30 000, of which Rose is to contribute $10 000 for an interest in the capital. If Rose brought in cash and a motor van valued at $3 000, his admission would be recorded in the journal as

		Dr. $	Cr. $
(A)	Cash	10000	
	Rose's capital		7 000
(B)	Rose's capital	7 000	
	Cash		7 000
(C)	Cash	7 000	
	Motor van	3 000	
	Rose's capital		10 000
(D)	Rose's capital	10000	
	Motor van		3 000
	Cash		7 000

46. The Cash Book is BEST used for recording

(A) cash receipts and cash payments
(B) goods returned for cash
(C) goods purchased for cash
(D) goods sold for cash

47. A business operates its petty cash on the imprest system. At the beginning of the month, the petty cashier was given $ 200 out of which she spent $152. How much will she be reimbursed?

(A) $ 48
(B) $152
(C) $200
(D) $352

48. Which of the following is NOT an accounting transaction?

(A) Payment of taxes
(B) Day to day accumulation of interest
(C) Physical wear and tear on machinery and equipment
(D) Corresponding with customers and creditors

49. On January 2, 2005, J. Brown, a debtor, was declared bankrupt. He owed Elmer Browne Ltd $ 800 for goods purchased. What effect would this have on the balance sheet of Elmer Browne Ltd?

(A) Closing stock is reduced by $800
(B) Closing stock is increased by $800
(C) Debtors is increased by $800
(D) Debtors is decreased by $800

50. What would be the effect on a firm's Balance Sheet of the purchase of equipment on credit?

(A) Asset Increased; Liability Decreased
(B) Asset Increased; Liability Increased
(C) Asset Decreased; Liability Increased
(D) Asset Decreased; Liability Decreased

51. A trader paid his client $ 500 by cheque. What will be the correct credit entry?

(A) Debit Bank A/c, Credit Cash A/c
(B) Credit Bank A/c only
(C) Credit Bank, Debit Cash A/c
(D) Credit Cash A/c only

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**

GO ON TO THE NEXT PAGE

Item 53 - 55 refer to the following information.

40-Plus Golf Club
(I)
for the month ended December 31, 2001

	$			$
Rent	1 000	Profit from bar		1 500
Electricity	500	(II)	3 500	
Trips to Miami	5 500	+ Subs. due (end)	500	
				4 000
		(III)		(IV)
	7 000			7 000

53. Which of the following BEST describes (I) and (II) shown in the table?

(A) (I) Profit & Loss A/c
(II) Rent Received

(B) (I) Trading A/c
(II) Subscription Received

(C) (I) Profit & Loss A/c
(II) Subscription Received

(D) (I) Income & Expenditure
(II) Subscription Received

54. Which of the following BEST describes (III) above?

(A) Net Loss
(B) Deficit
(C) Net Profit
(D) Surplus

55. What is the CORRECT figure for (IV) above?

(A) $1 500
(B) $2 500
(C) $5 500
(D) $7 000

56. Goodwill can be defined as the difference between the purchase price of the busines and the

(A) value of its net assets
(B) value of its liabilities
(C) net value of its fixed assets
(D) value of its working capital

Item 57 refers to the following information.

V. Jones	$
Net Pay	1200
Income Tax	300
National Insurance	50

57. What is Mrs Jones' gross pay?

(A) $ 850
(B) $ 950
(C) $1450
(D) $1550

58. Apart from the Cash Account, which of the following accounts are used to record subscriptions received from applicants for shares in a company?

I. Share Capital Account
II. Subscriptions Received Account
III. Application and Allotment Account
IV. Profit and Loss Account

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

59. On January 15, Johnson, a wholesaler sold goods valued at $200 to Slim, a retailer, and made the following entries in his books:

Slim's Account

Jan 15	Sales	150	

Sales Account

		Jan 15	Slim 150

The entries show

(A) goods sold $200, less cash discount $50
(B) goods sold $200, less goods returned $50
(C) goods sold $200, less overcharged $50
(D) goods sold $200 less, trade discount $50

Item 60 refers to the following information.

Cost of raw material consumed	$ 7 800
Maufacturing wages	$21 000
Rent (Factory)	$ 1 000
Indirect wages (Factory)	$ 9 000
Legal fees	$ 2 000
Machinery depreciation	$ 600
General expenses	$ 400

60. Using the expenses given in the above table, what is the factory overhead cost of goods manufactured?

(A) $ 9 000
(B) $ 9 600
(C) $10000
(D) $10600

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