1. Employees of a business are entitled to annual profit sharing bonus of 20%. Profit for the year was $10 000 before tax and bonus. If tax is to be 30%. What is the amount for bonus?

(A) $1 400
(B) $2 000
(C) $4 400
(D) $7 000

2. Control accounts are kept so as to assist management in

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

3. Ms Morris purchases $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.

4. An invoice is a document made out when goods are

(A) overcharged
(B) returned
(C) undercharged
(D) sold

Item 5 refers to the following information.

	$
Carriage inwards	125
Sales	5 500
Returns inwards	365
Purchases	4 520
Closing stock	900

5. Using the information above, what will be the cost of goods sold?

(A) $3 620
(B) $3 745
(C) $4 645
(D) $4 985

Item 6 refers to the following information:

Stock at Jan 1, 1994	$ 500
Purchases during the month	$1 200
Cost of goods sold	$1 400

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

(A) $ 300
(B) $ 700
(C) $ 500
(D) $1 200

7. 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

8. 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

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

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10. A businessman bought a new typewriter for $6 000. He paid $4 000 in cash and traded in his old typewriter. What is the entry to record this transaction?

		Dr.	Cr.
(A)	Dr. new typewriter	$6 000	
	Cr. old typewriter		$2 000
	Cr. cash		$4 000
(B)	Dr. old typewriter	$2 000	
	Dr. cash	$4 000	
	Cr. new typewriter		$6 000
(C)	Dr. new typewriter	$4 000	
	Dr. cash	$2 000	
	Cr. old typewriter		$6 000
(D)	Dr. old typewriter	$6 000	
	Dr. cash	$4 000	
	Cr. new typewriter		$2 000

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11. What are the TWO most frequently used **methods** of calculating provision for depreciation?

(A) Revaluation and Straight Line Methods
(B) Depletion Unit and Reducing Balance Methods
(C) Machine Hour and Revaluation Methods
(D) Straight Line and Reducing Balance Methods

12. 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

13. 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 would be the amount of Patrick's capital?

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

14. Which of the following states the **correct order** of the stages in the accounting cycle?

(A) Journalizing, Posting to Ledger, Trial Balance, Final Accounts
(B) Journalizing, Trial Balance, Posting to Ledger, Final Accounts
(C) Posting to Ledger, Journalizing, Trial Balance, Final Accounts
(D) Posting to Ledger, Trial Balance, Journalizing, Final Accounts

15. Which of the following is entered in the Purchases Account of a grocery?

(A) Goods for sale
(B) Duplicating machines
(C) Typewriters
(D) Office stationery

16. A trader draws up a Trial Balance in order 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

17. In which book would a trader enter the writing-off of a debt of a bankrupt customer?

(A) Sales Journal
(B) General Journal
(C) Returns Journal
(D) Purchases Journal

18. 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

19. Credit notes issued for goods returned by customer will be entered firstly in the

(A) Returns outward book
(B) Returns inward book
(C) Sales returns and allowances account
(D) Purchases returns and allowances account

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20. A standing order of $25 for insurance appears in the debit column of the Bank Statement. This amount does not appear in the Cash Book. How is this item treated in order to up date the Cash Book?

(A) Subtract the $25 from the Bank Statement Balance.
(B) Add $25 to the Bank Statement Balance.
(C) Credit the Bank Account with $25.
(D) Debit the Bank Account with $25.

21. 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

22. Goods were purchased from M. Smith on credit for $2 400 but posted to N. Smith's Account. The item would be corrected in the journal as follows

(A)	Dr. M. Smith	$2 400,
	Cr. Purchases	$2 400
(B)	Dr. M. Smith	$2 400,
	Cr. N. Smith	$2 400
(C)	Dr. Purchases	$2 400,
	Cr. M. Smith	$2 400
(D)	Dr. N. Smith	$2 400,
	Cr. M. Smith	$2 400

23.

W's Capital	$300
X's Capital	$200
Y's Capital	$100
Z's Capital	$30

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

24. How should the totals of the Discount Allowed and Discount Received columns be posted when the Cash Book is ruled off?

(A) Debit Discount Allowed,
Credit Discount Received
(B) Debit Discount Allowed,
Credit Cash
(C) Debit Discount Received,
Credit Discount Allowed
(D) Credit Discount Received,
Debit Cash

25. At the start of the financial year, a trader has creditors of $3 200. He paid cash of $14 900 to them during the year, and at the end of the year, the balance of his debt was $2 800. What was the trader's total credit purchases for the year?

(A) $12 100
(B) $14 500
(C) $15 300
(D) $17 700

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26. Which of the following is a Book of Original Entry and is also part of the General Ledger?

(A) Cash Book
(B) Journal
(C) Sales Day Book
(D) Purchases Day Book

Item 27 refers to the following information.

	$
Opening stock of raw materials	500
Purchases	2 000
Closing stock of raw materials	1 000
Direct labour	3 000
Factory overheads	4 500
Opening stock of work in progress	2 000
Closing stock of work in progress	3 000

27. From the above information, the cost of goods manufactured is

(A) $ 7 000
(B) $ 8 000
(C) $ 9 000
(D) $11 000

28. P. Hawk has a manufacturing business. His raw materials cost $1 900. Rates and rent total $2 000, and factory wages amount to $2 500.

The number of units produced is 640. What is the cost of one unit?

(A) $ 4
(B) $ 6
(C) $10
(D) $13

29. Which of the following transactions should be debited in the Cash Account?

(A) Bought goods for cash from J. Jones
(B) Paid office cleaner cash
(C) Sold goods for cash
(D) Paid on loan account

30. A proprietor withdraws cash from his business for his own use. The entries are

(A) Dr. Cash A/c; Cr. Bank A/c.
(B) Dr. Cash A/c; Cr. Drawings A/c.
(C) Dr. Drawings A/c; Cr. Cash A/c.
(D) Dr. Bank A/c; Cr. Cash A/c.

31. A and B had a partnership and shared profits and losses $\frac{2}{3}$ and $\frac{1}{3}$ respectively. They admitted C to the partnership. In addition to capital, C had to pay, for Goodwill, $3 600. How much did A and B receive as their respective share of Goodwill?

(A) A receives $1 200,
B receives $2 400.

(B) A receives $2 400,
B receives $1 200.

(C) A receives $1 800,
B receives $3 600.

(D) A receives $3 600,
B receives $3 600.

32. The maximum capital a company can issue to the public is called

(A) authorised capital
(B) issued capital
(C) subscribed capital
(D) paid up capital

Item 33 refers to the following figures taken from a manufacturing account:

	$
Prime costs	29 950
Factory overheads	11 250
Manufacturing wages	22 000

33. What is the cost of raw materials consumed?

(A) $ 7 950
(B) $ 8 700
(C) $11 750
(D) $33 000

34. A company purchased $1 500 worth of paint and was told that if the amount was paid within ten days, it would only have to pay $1 350. In other words it received a

(A) 10% cash discount
(B) 10% trade discount
(C) 15% mark down
(D) 15% quantity discount

35. When a company declares a dividend of 15%, the dividend warrant sent to the shareholder owning 1 500 $1 ordinary shares is

(A) $ 100
(B) $ 225
(C) $1 500
(D) $1 515

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

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

37. On January 1, a firm's capital is $4 600. On December 31, of the same year, the following information was provided: Drawings $850, Total assets $10 000, Loan outstanding $950, Creditors $4 000. What was the net profit that year?

(A) $ 450
(B) $1 300
(C) $1 400
(D) $1 700

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

(A) Carriage inwards
(B) Commission
(C) Furniture
(D) Discount allowed

39. In preparing the accounts of a club, the account which is used to record expenses and income is called the

(A) Revaluation Account
(B) Income and Expenditure Account
(C) Appropriation Account
(D) Manufacturing Account

Item 40 refers to the following information.

Trader's list price	$400
Trade discount	10%

40. What is the cost of purchases entered in the Ledger?

(A) $360
(B) $390
(C) $410
(D) $440

41. A club treasurer found, on closing his books, that $50 subscription had been paid in advance. Where would this amount appear?

(A) On the debit side of the Income & Expenditure Account
(B) On the credit side of the Income & Expenditure Account
(C) Among the Liabilities on the Balance Sheet
(D) Among the assets on the Balance Sheet

42. Joanne Barnett is a dressmaker. She bought 100 metres of material from S. Wright for $100 cash. Which of the following is the correct double entry for this transaction in Barnett's ledger?

(A) Dr. Materials A/c;
Cr. S. Wright's A/c.
(B) Dr. Materials A/c;
Cr. Cash A/c.
(C) Dr. Cash A/c;
Cr. S. Wright's A/c.
(D) Dr. Cash A/c;
Cr. Materials A/c.

43. A retailer purchases goods worth $3 000. He receives 30% trade discount and 5% cash discount. What did he pay?

(A) $1 995
(B) $2 095
(C) $2 100
(D) $2 850

44. The total assets of a business were $9 000 and the total liabilities $3 000. A vendor offered $10 000 for the business. What amount was given for goodwill?

(A) $ 1 000
(B) $ 2 000
(C) $ 4 000
(D) $16 000

45. Which of the following are NOT cash transactions?

I. Bought goods paying by cheque
II. Sold goods receiving payment on delivery
III. Paid balance owed to M. Merchandanny
IV. Sold motor lorry on two years terms

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

46. A plant valued at $4 000 is depreciated at 10% per annum using the diminishing balance method. What is its value after TWO years?

(A) $3 200
(B) $3 240
(C) $3 920
(D) $3 980

47. The balances of the asset accounts of the Bayroe Club as at June 30, 1994 were:

Premises	$5 400
Equipment	$1 825
Furniture	$ 960
Bank and cash	$1 640
Stock of refreshments	$ 72

The amount of his accumulated fund was

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

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Item 48 refers to the following Appropriation Account:

Appropriation Account

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

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

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

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

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49. A businessman incurred the following expenses:

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

What was the total capital expenditure?

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

50. To record a credit sale to S. John, which of the following entries must be made?

I. Debit Sales Account
II. Credit Sales Account
III. Debit S. John's Account
IV. Credit S. John's Account

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

51.

Cost of raw materials	$7 800
Manufacturing wages	$21 000
Rent and taxes	$1 000
Indirect wages	$9 000
Royalties	$ 200
Machinery depreciation	$ 600
General Expenses	$ 400

From the factory expenses given in the above table what is the productive cost of goods manufactured?

(A) $29 000
(B) $30 000
(C) $39 000
(D) $40 000

52. Prime Cost is $79 110 and overheads is $4 720. What is the cost of production?

(A) $ 4 720
(B) $74 390
(C) $79 110
(D) $83 830

53. B. Black purchased goods for $400 and received 10% discount. Later he returned goods worth $100, because they were faulty. How much did he receive for the goods returned?

(A) $ 10
(B) $ 40
(C) $ 90
(D) $1 000

54. The net profit of a firm was shown as $1 600 and it was later discovered that discounts received were under-cast 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

55. Closing stock at year end was NOT calculated correctly. Which of the following will be affected?

I. Cost of sales
II. Gross profit
III. Net purchases
IV. Working capital

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

Items 56 – 57 refer to the following balances taken from the books of Sherida's Ltd on April 30, 1997.

BALANCES	
Rent owing	$ 200
Cash	$3 500
Creditors	$1 200
Prepaid insurance	$ 300
Bank overdraft	$ 400

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

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

57. What is the Current Ratio of Sherida's Ltd?

(A) 1 : 1
(B) 1.5 : 1
(C) 2.1 : 1
(D) 3.1 : 1

58. A credit balance b/f in the Sales Ledger Control A/c represents an overpayment

(A) to creditors
(B) by debtors
(C) to debtors
(D) by creditors

59. Which of the following is the correct entry when a debtor is UNLIKELY to pay off his debt?

(A) Dr. Debtors A/c,
Cr. Bad Debts A/c.
(B) Dr. Debtors A/c,
Cr. Provision for Bad Debts A/c.
(C) Dr. Bad Debts A/c,
Cr. Debtors A/c.
(D) Dr. Profit & Loss A/c,
Cr. Provision for Bad Debts A/c.

60. A Suspense Account showed a debit balance. Which of the following could have given rise to such a balance?

(A) The discount received was overcast in the Cash Book.
(B) The figure taken from an invoice is incorrect, but the postings are correct.
(C) The book-keeper could not find a sales invoice.
(D) Cash received had been credited twice to the Debtor's Account

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