CSEC POA June 2003 P1

1. Which of the following are real accounts?

I. Furniture A/c
II. Debtors A/c
III. Capital A/c
IV. Motor car A/c

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

2. 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

3. 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

4. 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

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

(A) $ 5 000
(B) $ 7 000
(C) $30000
(D) $61 000

6. 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 at cost 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

7.

Capital R. Winsome	$60 000
Capital H. Winsome	$30 000

The above table shows the amount of capital invested by R & H Winsome in a business. If interest on capital was agreed at 5 per cent, what is the combined total amount of interest on capital earned by them?

(A) $1 500
(B) $2 500
(C) $3 000
(D) $4 500

8. Which of the following books of original entry should be used to record bad debts?

(A) Sales Journal
(B) Sales Return Journal
(C) General Journal
(D) Returns Outwards Journal

Item 9 refers to the following information.

	$
Cash at bank and in hand	5 000
Trade debtors	2 400
Stock in hand	4 600
Accrued expenses	700
Trade creditors	4 800

9. What is the working capital?

(A) $ 5 000
(B) $ 6 500
(C) $ 7 200
(D) $11 300

Item 10 refers to the balances extracted from Mr Martin's ledger and shown below.

	$
Opening stock	7 000
Purchases	4 000
Sales	10000
Sundry expenses	1 100
Closing stock	3 400

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

(A) $2400
(B) $2600
(C) $6400
(D) $7600

11. Morris purchased $1 000 worth of furniture for office use and entered it in the Journal as purchases. How will this error affect his 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.

12. Mr Harry, a grocer, bought a typewriter on credit from Tan Company. Which of the following journal entries will be made for this transaction in Mr Harry's books?

(A) Dr. Purchases Account,
Cr. Tan Account
(B) Dr. Typewriter Account,
Cr. Cash
(C) Dr. Tan Account,
Cr. Purchases Account
(D) Dr. Typewriter Account,
Cr. Tan Company

13. An article is subject to a 20% trade discount. Its list price is $600. What is its sale price?

(A) $120
(B) $480
(C) $580
(D) $720

Item 14 refers to the following information.

Appropriation Account

	$		$
Taxation Reserve	10000	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		

14. 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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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

16. 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

17. 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

18. 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

19. 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

20. The Sales Return Journal is used to record goods

(A) sold by the business
(B) returned by the business
(C) returned to the business
(D) sold to the business

Item 21 refers to the following information.

V. Jones	$
Net pay	1 200
Income tax	300
National insurance	50

21. Using the information above, what was Mr. Jones' gross pay?

(A) $ 850
(B) $ 950
(C) $1 450
(D) $1 550

22. 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

Item 23 refers to the following information.

Stock January 1	$ 300
Purchases	$3 400
Gross profit	$1 500
Sales	$4 500
Stock Dec. 31	$ 700

23. What is the rate of turnover?

(A) 2 times
(B) 3 times
(C) 6 times
(D) 9 times

Item 24 refers to the following information.

	$
Prime cost	10 000
Overheads	16 000
Work in progress January 1	3 000
Work in progress December 31	5 000

24. What was the cost of production of finished goods for the year?

(A) $14 000
(B) $18 000
(C) $21 000
(D) $24 000

25. In a factory raw materials used amounted to $4 000, manufacturing wages $1 200 and other direct expenses $400. What was the prime cost of articles produced?

(A) $4 400
(B) $4 800
(C) $5 200
(D) $5 600

26. 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 $1800 per month?

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

27. The summarized position of Foster and Scott Limited at March 6, 2002 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, 2002?

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

Items 28 - 29 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		

28. The balance as per Bank Statement was a

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

29. What does this Bank Statement balance represent?

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

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30. Single-entry accounting refers to a situation where

(A) every debit entry is balanced by an equal credit entry
(B) credit and debit are not recorded in separate columns
(C) all the information is recorded in one book
(D) the firm employs only one accountant.

31. A business has total assets valued at $225 000 and total liabilities at $97 000. The owner values the business at $150 000.

What is the goodwill?

(A) $ 22 000
(B) $ 53 000
(C) $ 75 000
(D) $128000

32. The total amount of $30.00 in the Discount Allowed column, was posted to the wrong side of the discount account. How should this error be corrected?

(A) Debit Discount Allowed Account, $30.00
(B) Credit Discount Allowed Account, $30.00
(C) Debit Discount Allowed Account, $60.00
(D) Credit Discount Allowed Account, $60.00

33. 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 $3 600 for goodwill. 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

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

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

35. 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

36. Which of the following MUST be stated when making up a complete journal entry?

I. Date
II. Account to be debited
III. Account to be credited
IV. Narration

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

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

38. Goodwill is classified as

(A) a long term liability
(B) an intangible fixed asset
(C) a current liability
(D) a tangible fixed asset

39. The account which discloses the gross profit or loss is called the

(A) Profit and Lost Account
(B) Appropriation Account
(C) Trading Account
(D) Cash Account

40. Mr Andrews and Mr Beddoe were in partnership, sharing profits and losses equally. On April 3, 2002, Mr Chung was admitted to the partnership, paying $18 000 into the bank account of the business. This sum represented Chung's one third (1/3) share of the goodwill of the business. The profits in the new partnership are to be shared equally.

If a Goodwill account is to be maintained, what are the entries necessary to record its creation?

(A)	Dr. Goodwill A/c	$ 6 000	
	Cr. Capital A/c : Andrews		$ 2 000
	: Beddoe		$ 2 000
	: Chung		$ 2 000
(B)	Dr. Goodwill A/c	$18 000	
	Cr. Capital A/c : Andrews		$ 6 000
	: Beddoe		$ 6 000
	: Chung		$ 6 000
(C)	Dr. Goodwill A/c	$18 000	
	Cr. Capital A/c : Chung		$18 000
(D)	Dr. Goodwill A/c	$54 000	
	Cr. Capital A/c : Andrews		$18 000
	: Beddoe		$18 000
	: Chung		$18 000

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41. The trial balance is prepared by using balances from the

(A) Purchases Book
(B) Journal
(C) Ledger
(D) Sales Book

42. Because of an error in posting, the Purchases Account was understated by $100 in respect of goods purchased on credit. What are the journal entries necessary to correct this error?

(A) Debit Supplier,
Credit Purchases

(B) Debit Purchases,
Credit Supplier

(C) Debit Debtors,
Credit Purchases Returns

(D) Debit Purchases Returns,
Credit Debtors

43. Which of the following factory expenses is considered a direct expense?

(A) Rent
(B) Wages
(C) Salaries
(D) Depreciation

44. 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

45. In the Trading Account, Returns Outwards is deducted from

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

46. Which of the following entries in the three-column cash book are contra entries?

(A) Dr Cash, Cr Cash
(B) Dr Cash, Cr Bank
(C) Cr Cash, Cr Bank
(D) Dr Bank, Cr Bank

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

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

48. While posting to the Ledger, you noticed C. Huck entered on the debit side of the three-column Cash Book. Which of the following entries to the Ledger would you make?

(A) Debit Cash Account
(B) Debit Account of C. Huck
(C) Credit Cash Account
(D) Credit Account of C. Huck

49. On January 2, 2002, 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. Ram Singh purchased goods valued at $500 on credit. He paid off his bill within the grace period and so received a 10% cash discount. How much did he pay the firm?

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

51. A Suspense Account shows a debit balance. Which of the following could give rise to such a balance?

(A) The discount received was under-cast in the Cash Book.
(B) The figure taken from an invoice is incorrect, but the postings are correct.
(C) A sales invoice could not be found.
(D) Cash received had been credited twice to the debtor's account.

52. The excess of current assets over current liabilities on the balance sheet determines

(A) working capital
(B) capital employed
(C) capital owned
(D) cash balance

53. Closing stock at year end is incorrectly valued. 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

54. Tom, Percy and John formed a partnership and agreed that profits were to be shared in the ratio of 1:1:2 respectively. The net profit for the year was $18 900. What was John's share of the profit?

(A) $ 4 725
(B) $ 9 450
(C) $14 175
(D) $18 900

55. A businessman will keep control accounts in order to

(A) ensure that all entries relating to the subsidiary ledgers have been entered
(B) reduce the number of accounts kept in the ledger
(C) control all the employees
(D) make all accounts equal

56. When a trial balance does NOT agree, the difference is placed in a

(A) Depreciation Account
(B) Suspense Account
(C) Discounts Allowed Account
(D) Bad Debts Account

57. Mrs Green is a dry goods merchant. Which of the following transactions would result in a debit to her Cash Account?

(A) Sold goods for cash
(B) Paid cash to office cleaner
(C) Bought goods for cash
(D) Paid instalment on loan

58. 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

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

59. Which of the following assets is the MOST liquid?

(A) Cash
(B) Debtors
(C) Equipment
(D) Stock

60. A credit balance in the Bank column of the Cash Book denotes

(A) a balance in the Cash Account
(B) an overdraft on the firm's bank account
(C) cash received by the bank
(D) receipts from cash sales

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