

PART A (40 Marks)

Each multiple choice question is worth 2 marks.

1. The trial balance will fail to agree when:
 - a) The purchases account was undercast by N\$300.
 - b) The sales and purchases account was undercast by N\$300.
 - c) A sale of goods on credit, N\$300, to Jacob was recorded in the sales account and in Jacob's account as N\$306.
 - d) The purchase of a new typewriter for the business, costing N\$4 000 was posted to the purchases account.

2. A business' rate of stock turnover during any given accounting period is calculated as:
 - a) The business' sales for that period, divided by the value of its inventory at the end of the period.
 - b) The business' purchases for that period, divided by the value of its inventory at the end of the period.
 - c) The business' cost of sales for that period, divided by the average of the business' inventory during the period (the average being the sum of its inventory at the beginning of the period and its inventory at the end of the period divided by two).
 - d) The business' sales for that period, divided by the value of its inventory at the beginning of the period.

3. Which of the following should be charged as an expense in the profit and loss account of a manufacturing firm?
 - a) Office stationery
 - b) Direct material cost
 - c) Work-in-progress
 - d) Carriage charged on raw materials purchased.

4. When a dividend is declared by a company.....
 - a) the company's bank balance reduce.
 - b) the shareholders' funds increase in the company.
 - c) the shareholders' funds are not affected at all.
 - d) the company's liabilities increase.

5. An increase in a company's working capital over the course of an accounting period could be explained by:
 - a) the expansion of operations during the period.
 - b) the purchase of fixed assets on credit during the period.
 - c) the purchase of fixed assets by cheque during the period.
 - d) None of the above.

6. A business purchased inventory for N\$3 000 and paid for it by cheque on the same day. If, prior to buying the inventory, the business had N\$5 000 in its bank account, the effect of this transaction on its acid-test ratio is:
 - a) The acid-test ratio remains the same.
 - b) The acid-test ratio decreases.
 - c) The acid test ratio increases.
 - d) It is not possible to tell from the information given.

7. If a N\$5 000 salaries accrual was inadvertently treated as a prepayment, net profit would be.....
 - a) understated by N\$10 000
 - b) overstated by N\$10 000
 - c) overstated by N\$5 000
 - d) understated by N\$5 000

8. Travalgar Limited currently manufactures its own products, but is now considering importing components from another supplier at a lower price. The following are non-financial factors, which the company should consider before proceeding with such a plan:
 - A) The quality may not be consistent and same to current product.
 - B) Transport delays, particularly if importing with tax control.
 - C) Industrial relations if work is given to foreigners.
 - D) Will the bank allow the business further overdraft facilities?
 - a) A and C.
 - b) D.
 - c) A, B and C
 - d) A and B

9. Which option is the safest form of involvement from an investor's perspective, in a limited company?
 a) Short-term debentures b) Long-term debentures c) Ordinary shares d) Preference shares
10. The current account of a partner in a partnership can be credited with the following items:
 A) Interest on loan to partnership from partner.
 B) Bonus.
 C) Share in loss
 D) Salary.
 a) A and D. b) B,C and D c) A, B and D d) A, B, C and D
11. Which one of the following expenses should be included in prime cost in a manufacturing account?
 a) Repairs to factory machines b) Production wages c) Office salaries d) Factory insurance

12. Unpaid rent is shown as a liability in a balance sheet. Which accounting principle is this an example of?
 a) Consistency b) Duality c) Matching d) Prudence

13. After the preparation of Profit and Loss Account, the following balances were included in the books of the business.

	N\$
Equipment	17 600
Creditors	3 200
Debtors	5 900
Bank overdraft	800
Accrued expenses	600
Inventory	4 100
Motor vehicles	2 500

What is the total of the assets?

- a) N\$27 400 b) N\$30 100 c) N\$30 700 d) N\$30 900
14. A business spends N\$200 000 on staff training. The N\$200 000 is entered as an expense in the business accounts, but the increased value of staff to the business is not recorded. Which accounting principle is being applied?
 a) Business entity b) Matching c) Prudence d) Money measurement
15. Which entry is made to reduce a provision for doubtful debts?

	Account to be debited	Account to be credited
a)	Profit and loss account	Provision for doubtful debts
b)	Provision for doubtful debts	Trade receivables (debtors)
c)	Provision for doubtful debts	Profit and loss account
d)	Trade receivables (debtors)	Provision for doubtful debts

16. What does the capital of business equal?
 a) Fixed assets + current assets + current liabilities
 b) Fixed assets + current assets – current liabilities
 c) Fixed assets - current assets - current liabilities
 d) Fixed assets - current assets + current liabilities
17. Under the company act, which reserve is available for distribution as cash dividends?
 a) Asset revaluation reserve
 b) Capital redemption reserve
 c) General reserve
 d) Share premium
18. Which book of first entry is also a ledger account?
 a) Cash book b) Journal c) Creditors journal d) Debtors journal

19. Raul buys goods with a list price of N\$1 500 from Gariseb, who allows a trade discount of 20%. A cash discount of 5% is also allowed if settlement is made within 30 days. What amount will be entered in Raul's creditors journal?
 a) N\$1 125 b) N\$1 140 c) N\$1 200 d) N\$1 425

20. The cash book showed a balance in the bank of N\$1000 (debit). On the same date, the bank statement showed a balance in the bank of N\$900 (debit). Which could be the reason for the difference?
- Bank interest received
 - Payments made directly into the trader's bank account
 - Standing order for property tax paid directly by the bank
 - Unpresented cheque

PART B (60 Marks)

Each multiple choice question is worth 3 marks.

21. Deirdré deals in two products, Plastic packaging and Glass bottles. On 28 February 2013 stocks were as follows:

	N\$ Cost	Net realizable value
Plastic packaging	5 000	4 600
Glass bottles	6 000	7 400

What will be the value of Deirdré's closing inventory?

- N\$11 000
 - N\$12 000
 - N\$10 600
 - N\$12 400
22. Revenue is only earned when the legal title to the goods passes from the seller to the buyer, who then has an obligation to pay for them. This is best explained by the concept of:
- Duality
 - Materiality
 - Consistency
 - Realisation
23. Tim and Tom, the only 2 partners in a firm, invested capital of N\$100 000 and N\$150 000 respectively. They agreed upon the following:

	Tim	Tom
Interest p.a. on capital	7%	7%
Annual salary	N\$60 000	N\$80 000
Share in profit/loss	45%	55%

If the profit for the year was N\$60 000, what would the final balance be on Tom's current account?

- N\$123 500
 - N\$194 000
 - N\$94 000
 - N\$273 000
24. The following information relates to a retail business whose financial year ends on 28 February every year:

	N\$
Sales for the period 1 March to 31 December	320 000
Purchases for the period 1 March to 28 February	190 000
Inventory at 1 March	95 000
Percentage mark-up applied during the period 1 March to 28 February	33,33 %

The firm's inventory at 28 February, at cost, was:

- N\$240 000
 - N\$45 000
 - N\$95 000
 - None of these
25. Catherine's trade is seasonal. Her monthly sales are 50% higher in the three summer months than in the other nine months of the year. She earns a gross margin of 25% in the summer months and 20% during the rest of the year. If her total sales for the year ended 30 April were N\$283 500, her cost of sales for the same period was:
- N\$226 800
 - N\$212 625
 - N\$223 256
 - N\$222 075

26. The following information relates to a hardware merchant, who makes all purchases on credit.

	at 28 February 2012	at 28 February 2013
	N\$	N\$
Debtors	20 000	18 000
Creditors	6 000	6 300
Inventory	16 000	15 000
Transactions during 2012:	N\$	
Payment received from debtors	120 000	
Amount paid to creditors	80 000	
Bad debts written off	1 000	
Cash sales	40 000	
Discount allowed to debtors	2 500	
Reduction in provision for bad debts	700	

The gross profit earned by the merchant during 2012 was:

- a) N\$80 900 b) N\$79 500 c) N\$80 200 d) None of these

27. A club which has 60 members, charges an annual membership subscription of N\$50. At the beginning of the year, 7 members had paid their subscription in advance and 6 were in arrears with their subscriptions. At the end of the year, 5 members were in arrears with their subscription and 3 members had paid the following year's subscription. The amount received by the club during the year in respect of subscriptions was:

- a) N\$2 850 b) N\$2 800 c) N\$2 750 d) N\$3 000

28. The following information is available of a business. Calculate the Capital amount of the business.

	N\$
Drawings	20 000
Fixtures and Fittings	80 000
Trade payables	30 000
Trade receivables	40 000
Bank overdraft	10 000
Petty cash	2 000
Land & Buildings	100 000
Provision for depreciation on Fixtures and fittings, 8% for 6 months of the year in consideration, using the straight-line basis.	

Net Profit for the year	15 000
Sales	140 000
Purchases	60 000
Rent income	15 000

- a) N\$278 800 b) N\$258 800 c) N\$183 800 d) N\$163 800

29. Julius and Lesley are partners and share profits equally. The profit for the year before appropriation was N\$43 000. Julius receives a salary of N\$10 000 and interest on capital, N\$1 000. Lesley receives interest on capital, N\$2 000. What was Julius' total income from the business?

- a) N\$15 000 b) N\$21 500 c) N\$32 500 d) N\$26 000

30. When preparing the final accounts for the year the following errors are discovered.

- (i) Debtors journal was undercasted by N\$300.
(ii) No provision had been made for accrued overtime costs, N\$200.
(iii) No account had been taken of prepaid rent, N\$400.

The draft net profit figure is N\$8050.

What will be net profit when the errors are corrected?

- a) N\$8 150 b) N\$8 550 c) N\$8 750 d) N\$8 950

31. A company's balance sheet includes the following extract.
- | | |
|--|---------------|
| Authorised share capital | N\$10 000 000 |
| Issued share capital: | |
| 2 million ordinary shares of N\$1 each | N\$2 000 000 |
| Reserves: | |
| Share premium | N\$2 000 000 |
| General reserves | N\$400 000 |
| Profit and loss | N\$1 000 000 |

What is the maximum number of bonus shares that could legally be issued?

- a) 1 400 000 b) 2 400 000 c) 3 000 000 d) 3 400 000

32. Karel's trial balance for 31 May 2013 includes the following balances.
- | | |
|--------------------------|----------|
| Sales | N\$3 200 |
| Inventory at 1 June 2012 | N\$200 |
| Purchases | N\$1 800 |
| Expenses | N\$800 |

Karel's inventory at 31 May 2013 was N\$300

What is Karel's net profit for the year?

- a) N\$400 b) N\$500 c) N\$700 d) N\$1500

33. The Trading account of AB for the year ended 31 December was:

	N\$		N\$
Opening inventory	10 000	Sales	60 000
Add purchases	40 000		
	50 000		
Less: Closing inventory	14 000		
	36 000		
Gross profit	24 000		
	60 000		60 000

What is the rate of stock turnover?

- a) 1.5 times b) 2.5 times c) 5 times d) 3 times

34. The bookkeeper of a close corporation has disappeared. There is no cash in the till and theft is suspected. The following information is known:

	N\$	
Cash balance at beginning of period	750	
Total sales during the period	150 000	
Decrease in debtors during the period	5 500	
Receipts from debtors paid into bank	96 000	
Expenses paid from cash received	5 000	

How much has the bookkeeper stolen during the period?

- a) N\$44 250 b) N\$55 250 c) N\$49 750 d) N\$60 250

35. A machine cost N\$20 000 and has a current book value of N\$12 000. The year's depreciation is then calculated using the reducing balance method at 30%.

What is depreciation for the year?

- a) N\$3600 b) N\$2400 c) N\$6000 d) N\$9600

36. A business's gross profit is N\$250 000 which is 25% of sales. The expenses are N\$75 000. What is the net profit as a percentage of sales?

- a) 7.5% b) 17.5% c) 30% d) 70%

37. The Trade Receivable Control balance, as at 28 February 2013, was N\$412 500. This did not agree with the sum of list of debtors ledger balance. Following errors have since been discovered:
- A copy debit note for N\$900 sent with goods returned to a supplier was entered in the Debtors Journal.
 - N\$40 carriage outwards has been debited in error to the customer's account.
 - A sales invoice for N\$1 750 has not been posted to the customer's account.
 - Return inwards journal has been undercasted by N\$3 000.

Identify the sum of list debtors' ledger as found before correction.

- a) N\$407 750 b) N\$409 410 c) N\$406 890 d) None of these

38. Vuso Enterprise began trading on 1 July 2011. The company is now preparing its accounts for the accounting year ended 30 June 2012. Rent is charged for the year from 1 April to 31 March, and was N\$18 000 for the year ended 31 March 2012 and N\$20 000 for the year ended 31 March 2013. Rent is payable quarterly in advance, plus any arrears, on 1 March, 1 June, 1 September and 1 December. The charge to Vuso Enterprise's income statement for rent for the year ended 30 June 2013 is

- a) N\$16 500 b) N\$17 000 c) N\$18 500 d) N\$19 000

39. On 1 June 2012, Sam's Plumbing paid an insurance invoice of N\$2 400 for the year to 31 May 2013. What is the charge to the income statement and the entry in the balance sheet for the year ended 31 December 2012?

	Income Statement	Balance Sheet
a)	Rent: N\$1 000	Prepayment: N\$1 400
b)	Rent: N\$1 400	Accrual: N\$1 000
c)	Rent: N\$1 400	Prepayment: N\$1 000
d)	Rent: N\$2 400	No entry

40. A company bought a machine on 1 October 2008 for N\$52 000. This machine had an expected life of eight years and an estimated residual value of N\$4 000. On 31 March 2013, the machine was sold for N\$35 000. The company's yearend is 31 December. The company uses the straight-line method for depreciation. What is the profit or loss on disposal of the machine?

- a) Loss N\$13 000 b) Profit N\$7 000 c) Profit N\$13 000 d) Profit N\$10 000