

## FINANCIAL ACCOUNTING

1 Which of the following statements is incorrect?

- Assets - Capital = Liabilities
- Liabilities + Assets = Capital
- Liabilities + Capital = Assets
- Assets - Liabilities = Capital

2 Which of the following is not an asset?

- Buildings
- Debtors
- Loan from K Harris
- Cash balance

3 Which of the following is a liability?

- Motor Vehicles
- Machinery
- Creditors for goods
- Cash at Bank

4 Which of the following is incorrect?

	<i>Assets</i>	<i>Liabilities</i>	<i>Capital</i>
	£	£	£
(A)	7,850	1,250	6,600
(B)	8,200	2,800	5,400
(C)	9,550	1,150	8,200
(D)	6,540	1,120	5,420

- (A)

5 Which of the following statements is correct?

	<i>Effect upon</i>	
	<i>Assets</i>	<i>Liabilities</i>
(A) We paid a creditor by cheque	-Bank	-Creditors
(B) A debtor paid us £90 in cash	+Cash	+Debtors
(C) J Hall lends us £500 by cheque	+Bank	-Loan from Hall
(D) Bought goods on credit	+Stock	+Capital

- (A)

(B)

(C)

(D)

6 Which of the following are correct?

	<i>Accounts</i>	<i>To record</i>	<i>Entry in the account</i>
(i)	Assets	an increase a decrease	Debit Credit
(ii)	Capital	an increase a decrease	Debit Credit
(iii)	Liabilities	an increase a decrease	Credit Debit

(i), (ii) and (iii)

(i) and (ii)

(i) and (iii)

(ii) and (iii)

7 Which of the following are correct?

		<i>Account to be debited</i>	<i>Account to be credited</i>
(i)	Bought office furniture for cash	Office furniture	Cash
(ii)	A debtor, P Sangster, pays us by cheque	Bank	P Sangster
(iii)	Introduced capital by cheque	Capital	Bank
(iv)	Paid a creditor, B Lee, by cash	B Lee	Cash

(i) and (iv) only

(i), (ii) and (iii) only

(i), (ii) and (iv) only

(ii), (iii) and (iv) only

8 Which of the following are incorrect?

		<i>Account to be debited</i>	<i>Account to be credited</i>
(i)	Sold van for cash	Cash	Van
(ii)	Returned some of Office Equipment to Suppliers Ltd	Office Equipment	Suppliers Ltd
(iii)	Repaid part of loan from C Charles by cheque	Loan from C Charles	Bank
(iv)	Bought machinery on credit from Betterways Ltd	Betterways Ltd	Machinery

(i) and (iii) only

(ii) and (iv) only

(iii) and (iv) only

(ii) and (iii) only

9 Which of the following best describes the meaning of 'Purchases'?

- Goods bought on credit
- Goods paid for
- Goods bought for resale
- Items bought

10 Which of the following should not be called 'Sales'?

- Goods sold for cash
- Sale of item previously included in 'Purchases'
- Office fixtures sold
- Goods sold on credit

11 Of the following, which are correct?

	<i>Account to be debited</i>	<i>Account to be credited</i>
(i) Goods sold on credit to R Williams	R Williams	Sales
(ii) S Johnson returns goods to us	Returns inwards	S Johnson
(iii) Goods bought for cash	Cash	Purchases
(iv) We returned goods to A Henry	A Henry	Returns inwards

- (iii) and (iv) only
- (ii) and (iv) only
- (i) and (ii) only
- (i) and (iii) only

12 Which of the following are incorrect?

	<i>Account to be debited</i>	<i>Account to be credited</i>
(i) Goods sold for cash	Cash	Sales
(ii) Goods bought on credit from T Carter	Purchases	T Carter
(iii) Goods returned by us to C Barry	C Barry	Returns outwards
(iv) Van bought for cash	Purchases	Cash

- (ii) and (iv) only
- (iv) only
- (iii) only
- (i) and (iii) only

13 Given the following, what is the amount of Capital? Assets: Premises £20,000; Stock £8,500; Cash £100. Liabilities: Creditors £3,000; Loan from A Adams £4,000

- £21,100
- £21,400

£21,600

£32,400

14 Which of the following is correct?

Profit reduces capital

Profit increases capital

Capital can only come from profit

Profit does not alter capital

15 Which of the following are correct?

(i) Received commission by cheque

(ii) Paid rates by cash

(iii) Paid motor expenses by cheque

(iv) Received refund of insurance by cheque

*Account to be debited*

Bank

Rates

Motor expenses

Insurance

*Account to be credited*

Commission received

Cash

Bank

Bank

(i), (ii) and (iii) only

(i) and (ii) only

(i), (ii) and (iv) only

(i), (iii) and (iv) only

16 Of the following, which are incorrect?

(i) Sold van for cash

(ii) Bought stationery by cheque

(iii) Took cash out of business for private use

(iv) Paid general expenses by cheque

*Account to be debited*

Cash

Stationery

Cash

General expenses

*Account to be credited*

Sales

Bank

Drawings

Bank

(i) and (ii) only

(ii) and (iv) only

(i) and (iii) only

(ii) and (iii) only

17 What is the balance on the following account on 31 May 20X5?

*C De Freitas*

20X5		£	20X5		£
May	1 Sales	205	May	17 Cash	300
""	14 Sales	360	""	28 Returns	50
""	30 Sales	180			

A debit balance of £395

A credit balance of £395

There is a nil balance on the account

A debit balance of £380

18 What would have been the balance on the account of C De Freitas in MC17 on 19 May 20X5?

A credit balance of £445

A credit balance of £95

A credit balance of £265

A debit balance of £265

19 Which of the following best describes a trial balance?

Shows all the entries in the books

It is a list of balances on the books

Shows the financial position of a business

It is a special account

20 Is it true that the trial balance totals should agree?

No, there are sometimes good reasons why they differ

Yes, always

Yes, except where the trial balance is extracted at the year end

No, because it is not a balance sheet

21 Gross profit is:

Cost of goods sold + Opening stock

Excess of sales over cost of goods sold

Sales less Purchases

Net profit less expenses of the period.

22 Net profit is calculated in the:

Profit and loss account

Balance sheet

Trial balance

Trading account

- 23 To find the value of closing stock at the end of a period we
- do this by stocktaking
  - deduct cost of goods sold from sales
  - deduct opening stock from cost of goods sold
  - look in the stock account
- 24 The credit entry for net profit is on the credit side of:
- The trading account
  - The drawings account
  - The capital account
  - The profit and loss account
- 25 Which of these best describes a balance sheet?
- A statement of assets
  - A listing of balances
  - An account proving the books balance
  - A record of closing entries
- 26 The descending order in which current assets should be shown in the balance sheet is:
- Debtors, Stock, Bank, Cash
  - Cash, Bank, Debtors, Stock
  - Stock, Debtors, Cash, Bank
  - Stock, Debtors, Bank, Cash
- 27 Which of these best describes fixed assets?
- Are bought to be used in the business
  - Are expensive items bought for the business
  - Are items which will not wear out quickly
  - Are of long life and are not bought specifically for resale
- 28 Carriage inwards is charged to the trading account because:
- Carriage outwards goes in the profit and loss account
  - It is an expense connected with buying goods
  - It is not part of motor expenses

It should not go in the balance sheet

29 Given figures showing: Sales £8,200; Opening stock £1,300; Closing stock £900; Purchases £6,400; Carriage inwards £200, the cost of goods sold figure is:

Another figure

£6,200

£6,800

£7,000

30 The costs of putting goods into a saleable condition should be charged to:

Trading account

Profit and loss account

Balance sheet

None of these

31 Suppliers' personal accounts are found in the:

Sales ledger

Nominal ledger

Purchases ledger

General ledger

32 The Sales Day Book is best described as:

Containing customers' accounts

Containing real accounts

Part of the double entry system

A list of credit sales

33 Which of the following are personal accounts?

(i) Buildings

(ii) Wages

(iii) Debtors

(iv) Creditors

(ii) and (iii) only

(i) and (iv) only

(ii) and (iv) only

(iii) and (iv) only

- 34 When Lee makes out a cheque for £50 and sends it to Young, then Lee is known as:
- The payee
  - The banker
  - The drawer
  - The creditor
- 35 If you want to make sure that your money will be safe if Cheques sent are lost in the post, you should:
- Always pay by cash
  - Cross your Cheques 'Account Payee only, Not Negotiable'
  - Always take the money in person
  - Not use the postal service in future
- 36 When banking money in to your current account you should always use:
- A general ledger
  - A cheque book
  - A cash book
  - A paying-in slip
- 37 A debit balance of £100 in a cash account shows that:
- There was £100 cash in hand
  - The total of cash received was less than £100
  - £100 was the total of cash paid out
  - Cash has been overspent by £100
- 38 £50 cash taken from the cash till and banked is entered:
- Debit cash column £50: Credit bank column £50
  - Debit bank column £50: Credit bank column £50
  - Debit bank column £50: Credit cash column £50
  - Debit cash column £50: Credit cash column £50
- 39 A credit balance of £200 on the cash columns of the cash book would mean:
- We have £200 cash in hand
  - Someone has stolen £200 cash
  - We have spent £200 more than we have received



The bookkeeper has made a mistake

40 'Posting' the transactions in bookkeeping means:

Making the second entry of a double entry transaction

Entering items in a cash book

Making the first entry of a double entry transaction

Something other than the above

41 A cash discount is best described as a reduction in the sum to be paid:

If payment is made by cash, not cheque

If purchases are made for cash, not on credit

If payment is made either by cash or cheque

If payment is made within a previously agreed period

42 Discounts received are:

Deducted by us when we pay our accounts

Deducted when we receive cash

Given by us when we sell goods on credit

None of these

43 The total of the 'Discounts Allowed' column in the Cash Book is posted to:

The debit of the Discounts Received account

The debit of the Discounts Allowed account

The credit of the Discounts Allowed account

The credit of the Discounts Received account

44 Sales invoices are first entered in:

The Cash Book

The Purchases Journal

The Sales Journal

The Sales Account

45 The total of the Sales Journal is entered on:

The debit side of the Sales Account in the General Ledger

The credit side of the General Account in the Sales Ledger

- The credit side of the Sales Account in the General Ledger
- The debit side of the Sales Day Book
- 46 Given a purchases invoice showing 5 items of £80 each, less trade discount of 25 per cent and cash discount of 5 per cent, if paid within the credit period, your cheque would be made out for:
- £260
- £280
- £285
- None of these
- 47 An alternative name for a Sales Journal is:
- Sales Day Book
- Sales Ledger
- Sales Invoice
- Daily Sales
- 48 Entered in the Purchases Journal are:
- Discounts received
- Purchases invoices
- Payments to suppliers
- Trade discounts
- 49 The total of the Purchases Journal is transferred to the:
- Credit side of the Purchases Account
- Credit side of the Purchases Book
- Debit side of the Purchases Account
- Debit side of the Purchases Day Book
- 50 Credit notes issued by us will be entered in our:
- Sales Account
- Returns Outwards Journal
- Returns Inwards Journal
- Returns Inwards Account
- 51 The total of the Returns Outwards Journal is transferred to:

- The debit side of the Returns Outwards Account
- The credit side of the Returns Outwards Book
- The credit side of the Returns Outwards Account
- The debit side of the Purchases Returns Book

52 We originally sold 25 items at £12 each, less 33 1/3 per cent trade discount. Our customer now returns 4 of them to us. What is the amount of credit note to be issued?

- £36
- £30
- £32
- £48

53 Depreciation is:

- The salvage value of a fixed asset
- The amount of money spent in replacing assets
- The part of the cost of the fixed asset consumed during its period of use by the firm
- The amount spent to buy a fixed asset

54 A firm bought a machine for £3,200. It is to be depreciated at a rate of 25 per cent using the Reducing Balance Method. What would be the remaining book value after 2 years?

- £2,400
- £1,800
- £1,600
- Some other figure

55 A firm bought a machine for £16,000. It is expected to be used for 5 years then sold for £1,000. What is the annual amount of depreciation if the straight line method is used?

- £3,750
- £3,100
- £3,200

£3,000

56 At the balance sheet date the balance on the Accumulated Provision for Depreciation Account is:

- Transferred to Depreciation Account
- Transferred to the Asset Account

- Transferred to Profit and Loss Account
- Simply deducted from the asset in the Balance Sheet

57 In the trial balance the balance on the Provision for Depreciation Account is:

- Not shown, as it is part of depreciation
- Sometimes shown as a credit, sometimes as a debit
- Shown as a credit item
- Shown as a debit item

58 If an accumulated provision for depreciation account is in use then the entries for the year's depreciation would be:

- Credit Asset Account, debit Provision for Depreciation Account
- Debit Asset Account, credit Profit and Loss Account
- Credit Provision for Depreciation Account, debit Profit and Loss Account
- Credit Profit and Loss Account, debit Provision for Depreciation Account

59 When the final accounts are prepared, the Bad Debts Account is closed by a transfer to the:

- Trading Account
- Provision for Doubtful Debts Account
- Balance Sheet
- Profit and Loss Account

60 A Provision for Doubtful Debts is created:

- When debtors cease to be in business
- To provide for possible bad debts
- When debtors become bankrupt
- To write off bad debts

61 Working Capital is a term meaning:

- The total of Fixed Assets - Current Assets
- The capital less drawings
- The amount of capital invested by the proprietor
- The excess of the current assets over the current liabilities

62 A credit balance brought down on a Rent Account means:

- We have paid too little in rent
- We have paid too much rent
- We owe that rent at that date
- We have paid that rent in advance at that date

63 A debit balance brought down on a Packing Materials Account means:

- We have a stock of packing materials unused
- We are owed for packing materials
- We have lost money on packing materials
- We owe for packing materials

64 If we take goods for own use we should:

- Debit Drawings Account: Credit Purchases Account
- Debit Drawings Account: Credit Stock Account
- Debit Sales Account: Credit Stock Account
- Debit Purchases Account: Credit Drawings Account

65 Capital Expenditure is:

- The costs of running the business on a day-to-day basis
- Money spent on buying fixed assets or adding value to them
- Money spent on selling fixed assets
- The extra capital paid in by the proprietor

66 In the business of C Songster, who owns a clothing store, which of the following is Capital Expenditure?

- (i) Shop fixtures bought
  - (ii) Wages of assistants
  - (iii) New van bought
  - (iv) Petrol for van
- (ii) and (iv)

(i) and (iii)

- (i) and (ii)
- (ii) and (iii)

67 If £500 was shown added to Purchases instead of being added to a fixed asset:

- Net profit only would be overstated

Both gross and net profits would be understated

Net profit only would be understated

It would not affect net profit

68 A cheque paid by you, but not yet passed through the banking system, is:

A credit transfer

A dishonored cheque

An un-presented cheque

A standing order

69 A Bank Reconciliation Statement is a statement:

Sent by the bank when we have made an error

Drawn up by the bank to verify the cash book

Sent by the bank when the account is overdrawn

Drawn up by us to verify our cash book balance with the bank statement balance

70 Which of the following are not true? A Bank Reconciliation Statement is

(i) Part of the double entry system

(ii) Not part of the double entry system

(iii) Sent by the firm to the bank

(iv) Posted to the ledger accounts.

(i), (ii) and (iv)

(i), (iii) and (iv)

(i) and (ii)

(ii), (iii) and (iv)

71 Which of the following should be entered in the Journal?

(i) Payment for cash purchases

(ii) Fixtures bought on credit

(iii) Credit sale of goods

(iv) Sale of surplus machinery.

(i) and (iv)

(ii) and (iv)

(iii) and (iv)

(ii) and (iii)

72 The Journal is:

Used when other journals have been mislaid

A supplement to the Cash Book

Not part of the double entry system

Part of the double entry system

73 Given desired cash float of £200, if £146 is spent in the period, how much will be reimbursed at the end of the period?

£53

£146

£254

£200

74 When a petty cash book is kept there will be:

No entries made at all in the general ledger for items paid by petty cash

The same number of entries in the general ledger

Fewer entries made in the general ledger

More entries made in the general ledger

75 Which of the following do not affect trial balance agreement?

(i) Sales £105 to A Henry entered in P Henry's account

(ii) Cheque payment of £134 for Motor expenses entered only in Cash Book

(iii) Purchases £440 from C Browne entered in both accounts as £404

(iv) Wages account added up incorrectly, being totaled £10 too much.

(i) and (iii)

(ii) and (iii)

(i) and (iv)

(iii) and (iv)

76 Which of the following are not errors of principle?

(i) Motor expenses entered in Motor Vehicles account

(ii) Purchases of machinery entered in Purchases account

(iii) Sale of £250 to C Phillips completely omitted from books

(iv) Sale to A Henriques entered in A Henry's account.

(iii) and (iv)

(ii) and (iii)

(i) and (ii)

(i) and (iv)

- 77 Errors are corrected via the Journal because:
- It saves the bookkeeper's time
  - It provides a good record explaining the double entry records
  - It saves entering them in the ledger
  - It is much easier to do
- 78 Which of these errors would be disclosed by the trial balance?
- A purchase of £250 was omitted entirely from the books
  - Credit sales of £300 entered in both double entry accounts as £30
  - Selling expenses had been debited to Sales Account
  - Cheque £95 from C Smith entered in Smith's account as £59
- 79 If a trial balance totals do not agree, the difference must be entered in:
- The Profit and Loss Account
  - A Nominal Account
  - The Capital Account
  - A Suspense Account
- 80 What should happen if the balance on a Suspense Account is of a material amount?
- Write it off to Profit and Loss Account
  - Should be written off to the balance sheet
  - Carry forward the balance to the next period
  - Find the error(s) before publishing the final accounts
- 81 Given opening debtors of £11,500, Sales £48,000 and receipts from debtors £45,000, the closing debtors should total:
- £8,500
- 82 In a Sales Ledger Control Account the Bad Debts written off should be shown in the account:
- As a credit
  - As a debit



- As a balance carried down
- Both as a debit and as a credit

83 MC83 If cost price is £90 and selling price is £120, then:

- (i) Mark-up is 25 per cent
- (ii) Margin is 331/3 per cent
- (iii) Margin is 25 per cent
- (iv) Mark-up is 331/3 per cent

- (i) and (ii)
- (i) and (iii)
- (iii) and (iv)
- (ii) and (iv)

84 Given cost of goods sold £16,000 and margin of 20 per cent, then sales figure is:

- £21,000
- £20,000
- £13,600
- £20,160

85 If opening stock is £3,000, closing stock £5,000, sales £40,000 and margin 20 per cent, then stock turn is:

- 7 ½ times
- 8 times
- 5 times
- 6 times

86 If creditors at 1 January 20X3 were £2,500, creditors at 31 December 20X3 £4,200 and payments to creditors £32,000, then purchases for 20X3 are:

- £31,600
- £38,700
- £33,700

£30,300

87 Given opening capital of £16,500, closing capital as £11,350 and drawings were £3,300, then:

- Profit for the year was £8,450
- Loss for the year was £8,450

Profit for the year was £1,850

Loss for the year was £1,850

88 A Receipts and Payments Account is one:

In which the surplus of income over expenditure is calculated

In which the opening and closing cash balances are shown

Which is accompanied by a balance sheet

In which the profit is calculated

89 Prime cost includes:

(i) Direct labour

(ii) Factory overhead expenses

(iii) Raw materials consumed

(iv) Direct expenses

(i), (iii) and (iv)

(i), (ii) and (iii)

(ii), (iii) and (iv)

(i), (ii) and (iv)

90 Which of the following should be charged in the Profit and Loss Account?

Carriage on raw materials

Work in progress

Office rent

Direct materials

91 In the Manufacturing Account is calculated:

The production costs paid in the year

The total cost of goods produced

The gross profit on goods sold

The production cost of goods completed in the period

92 The best method of departmental accounts is:

To allocate expenses in proportion to purchases

To allocate expenses in proportion to sales

To charge against each department its uncontrollable costs

To charge against each department its controllable costs

- 93 Where there is no partnership agreement then profits and losses:
- Must be shared equally
  - Must be shared in same proportion as capitals
  - Must be shared equally after adjusting for interest on capital
  - None of these
- 94 If it is required to maintain fixed capitals then the partners' shares of profits must be:
- Credited to capital accounts
  - Debited to capital accounts
  - Debited to partners' current accounts
  - Credited to partners' current accounts
- 95 You are to buy an existing business which has assets valued at buildings £50,000, Motor vehicles £15,000, Fixtures £5,000 and Stock £40,000. You are to pay £140,000 for the business. This means that:
- You have made an arithmetical mistake
  - You are paying £40,000 for Goodwill
  - Buildings are costing you £30,000 more than their value
  - You are paying £30,000 for Goodwill
- 96 Assets can be revalued in a partnership change because:
- The depreciation charged on them needs to be reversed
  - It helps prevent injustice to some partners
  - The law insists upon it
  - Inflation affects all values
- 97 Any loss on revaluation is:
- Debited to old partners in old profit-sharing ratios
  - Credited to old partners in old profit-sharing ratios
  - Credited to new partners in new profit-sharing ratios
  - Debited to new partners in new profit-sharing ratios
- 98 In a limited company which of the following are shown in the Appropriation Account?
- (i) Debenture interest
  - (ii) Proposed dividend
  - (iii) Transfers to reserves
  - (iv) Directors' remuneration

- (i) and (ii)
- (i) and (ii)
- (ii) and (iii)
- (ii) and (iv)

99

The Issued Capital of a company is:

- Always the same as the Authorized Capital
- The same as Preference Share Capital
- Equal to the reserves of the company
- None of the above

100

A company wishes to pay out all available profits as dividends. Net profit is £26,600. There are 20,000 8% Preference shares of £1 each, and 50,000 Ordinary shares of £1 each. £5,000 is to be transferred to General Reserve. What Ordinary dividends are to be paid, in percentage terms?

- 40 per cent
- 60 per cent
- 10 per cent
- 20 per cent