

**Paper 1 Quiz 1****Name:** \_\_\_\_\_ **Class:** \_\_\_\_\_

1. Which of the following events is not recorded in the accounting records?

- A. Dismissal of an employee
- B. Equipment bought by cash
- C. Capital introduced into the business
- D. Cash withdrawn by the owner for personal use

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2. The first step of the accounting process is

- A. communicating information.
- B. processing data.
- C. reporting.
- D. recording transactions.

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3. When a firm sold a motor vehicle on credit, the effects on its assets and liabilities are:

*Effect on assets**Effect on liabilities*

- |  |                 |
|--|-----------------|
| A. Decrease motor vehicle                  | Reduce creditor |
| B. Increase bank; decrease motor vehicle   | No effect       |
| C. Increase debtor; decrease motor vehicle | No effect       |
| D. Increase bank                           | Reduce creditor |

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4. Suppose a trading firm had the following revenue and expenses for the year: sales \$350,860; cost of sales \$132,800; salaries \$20,000, advertising \$6,000 and the following assets and liabilities at the end of the year: office furniture \$75,600; machinery \$35,800; cash \$8,000; inventory \$80,000 loan from bank \$75,500. What is the amount of capital at the end of the year?

- A. \$120,900
- B. \$123,900
- C. \$247,800
- D. \$312,960

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5. Which of the following double entries are correct?

*Transactions**Account to be debited**Account to be credited*

- |  |           |         |
|--|-----------|---------|
| (1) Paid a supplier by cheque.                   | Debtors   | Bank    |
| (2) Bought a machine for cash.                   | Machinery | Cash    |
| (3) The owner made a further investment in cash. | Capital   | Cash    |
| (4) A debtor paid us in cash.                    | Cash      | Debtors |

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (2) and (4) only

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6. Credit entries

- A. decrease assets and increase liabilities.
- B. decrease both assets and liabilities.
- C. increase assets and decrease liabilities.
- D. increase both assets and liabilities.

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7. Which of the following accounts will be debited when there is an increase in amount?

- (1) Commission income
- (2) Loan to XYZ Company
- (3) Sales returns
- (4) Drawings
- (5) Sales

A. (1), (2) and (4) only

B. (2), (3) and (4) only

C. (2), (3) and (5) only

D. (3), (4) and (5) only

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8. Which of the following is **not** a function of accounting?

A. summarising business transactions

B. monitoring the performance of the accounting staff

C. communicating the performance of the business to different stakeholders

D. classifying business transactions

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9. What is the flow of an accounting cycle after the books of original entry?

(1) balancing day adjustments

(2) financial statements

(3) ledgers

(4) trial balance

A. (1) → (2) → (3) → (4)

B. (2) → (3) → (4) → (1)

C. (3) → (4) → (1) → (2)

D. (4) → (3) → (1) → (2)

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10. Which of the following should NOT be classified as 'Purchases' by a motor van dealer?

A. A motor van bought for showroom display

B. A motor van bought for trial use by customers

C. A motor van bought for use by the managing director

D. A motor van bought to be used for staff transportation but finally put into the warehouse for resale

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11. On 1 January 2012, Mr Tong set up a firm and brought in motor vehicles of \$2 000, premises of \$14 000 and inventory of \$5 000 to the business. The firm borrowed \$3 000 from the bank to acquire a piece of equipment. Meanwhile, Mr Tong put \$1 000 into the firm's cash box and \$8 000 into the firm's bank account.

What was the amount of Mr Tong's capital on 1 January 2012?

A. \$9 000

B. \$27 000

C. \$30 000

D. \$33 000

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12. Which of the following double entries is/are correct?

<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1) Settled a trade debt by cheque	Trade payables	Bank
(2) Sold the office furniture of the firm on credit	Trade receivables	Sales
(3) Paid carriage expenses for delivering goods to customers in cash	Carriage outwards	Cash

- A. (1) only  
 B. (1) and (3) only  
 C. (2) and (3) only  
 D. (1), (2) and (3)

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13. Which of the following double entries are correct?

<u>Transaction</u>	<u>Account to be debited</u>	<u>Account to be credited</u>
(1) goods purchased in cash	<i>Purchases</i>	<i>Cash</i>
(2) goods returned by a customer	<i>Returns inwards</i>	<i>Trade payables</i>
(3) cash deposited into the bank account	<i>Bank</i>	<i>Cash</i>
(4) inventories withdrawn for owner's private use	<i>Drawings</i>	<i>Capital</i>

- A. (1) and (3) only  
 B. (1) and (4) only  
 C. (2) and (3) only  
 D. (2) and (4) only

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14. Which of the following should be credited to the purchases account of a firm?

- (1) goods withdrawn by owners for personal use  
 (2) goods returned to a supplier  
 (3) goods donated to a non-profit making organization  
 A. (1) only  
 B. (1) and (3) only  
 C. (2) and (3) only  
 D. (1), (2) and (3)

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15. Which of the following accounts of BAFS Limited will be credited when there is an increase in amount?

- (1) Electricity  
 (2) Loan from XYZ Company  
 (3) Loan to ABC Company  
 (4) Purchases returns  
 (5) Rent received  
 (6) Sales returns  
 A. (1), (2) and (4) only  
 B. (1), (3) and (6) only  
 C. (2), (4) and (5) only  
 D. (3), (5) and (6) only

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