

**SIR ARTHUR LEWIS COMMUNITY COLLEGE**  
**DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES**

DTEMS PAST PAPERS  
MANAGEMENT STUDIES

**Examination Session** : December 2001 Final Examination

**Tutors** : Mrs F. Beerom-Henry, Mr F. Ephraim,  
Ms E. Louisy, Mr J. Moore, Mr M. Renee

**Programme Titles** : ASSOCIATE DEGREE:  
Applied Arts – Business  
Tourism and Hospitality Management  
DIPLOMA: Business Studies

**Programme Code** : ABS343 ; MAN326

**Course Title** : Introduction to Financial Accounting – Paper I

**Course Code** : IFA 311 – Paper I

**Classes** : Year 1 Access Course

**Date** : Wednesday, December 5, 2001

**Time** : 1.00 p m

**Duration** : 1 hour

**Room(s)** : BUS R1, DHS R, B Ed R1&2

**Invigilator** : Mrs F Beerom-Henry, Mr F Ephraim,  
Mrs M Lashley, Ms E Louisy

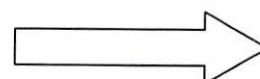
# A 13



**Instructions**

- Choose the letter a, b, c or d that carries the best response and shade it on the answer sheet provided.
- Answer all questions.

**GO TO THE NEXT PAGE**



### Multiple Choice

**Instruction:** Choose the letter a, b, c or d that carries the best response and shade it on the answer sheet provided.

1. Kens Ltd has opening trade creditors of \$10,748.00 and closing trade creditors of \$15,407.00. If cash paid to creditors in the period was \$94,275.00 after allowing for cash discounts of \$1,270.00, what were purchases on credit for the period?
  - a. \$90, 886.00
  - b. \$97,664.00
  - c. \$98,934.00
  - d. \$100,204.00
  
2. A firm has 4 computers. Three of them are depreciated using the straight line method and the fourth is depreciated using the reducing balance method. This practice is in contradiction of which accounting principle?
  - a. prudence
  - b. going concern
  - c. consistency
  - d. accruals
  
3. The capital of a sole trader would change as a result of which of the following?
  - a. a creditor being paid his account by cheque
  - b. raw materials being purchased on credit
  - c. fixed assets being purchased on credit
  - d. wages being paid in cash
  
4. Which one of the following is a book of prime entry and part of the double entry system?
  - a. the journal
  - b. the cash book
  - c. the sales journal
  - d. the purchases ledger
  
5. Closing stock is:
  - a. a current asset
  - b. an expense
  - c. a fixed asset
  - d. a long term liability
  
6. The trial balance must balance because:
  - a. both debit and credit totals are accurate
  - b. for every transaction there must be two entries
  - c. for every amount debited, there must be a corresponding amount credited
  - d. both asset accounts and liability accounts must add up to the same total
  
7. Control accounts are kept so as to assist management in:
  - a. limiting expenditure
  - b. locating errors
  - c. increasing profits
  - d. limiting drawings
  
8. What ledger entries are made to record goods withdrawn by a sole trader as a present to his wife?
  - a. Dr Gifts                      Cr Purchases
  - b. Dr Purchases                Cr Gifts
  - c. Dr Purchases                Cr Drawings
  - d. Dr Drawings                 Cr Purchases

9. A debit balance on a ledger account may represent:
  - a. liabilities, or revenue, or a loss
  - b. liabilities or revenue, or a profit
  - c. assets, or expenses or a loss
  - d. assets, or expenses or a profit
  
10. 'Profits should not be anticipated by recording them before they are earned'. This is in accordance with the:
  - a. revaluation concept
  - b. anticipation concept
  - c. recognition concept
  - d. realization concept
  
11. Which of the following is a current liability?
  - a. capital
  - b. debtors
  - c. bank overdraft
  - d. amount due from Inland Revenue
  
12. Which of the following is capital expenditure?
  - a. the cost of a new warehouse
  - b. the cost of servicing the school bus
  - c. an electricity bill
  - d. wages of security staff
  
13. A company operates its petty cash using the imprest system. The imprest amount is \$125.00. At the end of a particular period the monies spent were totalled as per the following categories: Cleaning \$13.09; Postage \$3.47; Repairs \$22.64; Bus fares \$6.40 and Miscellaneous \$7.19. How much cash would be required to restore the imprest amount for the month?
  - a. \$22.64
  - b. \$52.79
  - c. \$77.21
  - d. \$125.00
  
14. What transaction is represented by the entries: Dr Bank : Cr M. Jones?
  - a. sale of goods to Jones for cheque
  - b. purchase of goods from Jones for cheque
  - c. receipt of cheque from Jones
  - d. payment of cheque to Jones
  
15. John has paid \$5,520 for rent for a six-month period to August 31, 2001. What accrual or prepayment is required when preparing accounts for the year ended June 30, 2001?
  - a. a prepayment of \$920
  - b. an accrual of \$920
  - c. a prepayment of \$1,840
  - d. an accrual of \$1,840

**Items 16 and 17 refer to the following information**

At December 31, 2000 a business had debtors of \$10,000. A customer who owed \$200 was declared bankrupt, so the business wrote the amount off as a bad debt. A provision

16. By how much should the P & L a/c be debited in respect of both bad debts expense and provision for bad debts?
  - a. \$50
  - b. \$200
  - c. \$490
  - d. \$690

17. What is the amount of the provision for bad debt?
- \$50
  - \$200
  - \$490
  - \$690
18. A box of paper clips was bought by a business. However it was charged as an expense in the period it was bought despite the fact that its life covered more than one accounting period. Which accounting principle is demonstrated here?
- substance over form
  - materiality
  - matching
  - separate determination
19. Court's opening debtors account balance at July 1, 2001 was \$6,478.00. During the month sales were \$53,998.00. Half of the sales were for cash. At the end of July Court's customers owed \$10,492.00. How much did Court's receive from its customers during July?
- \$22,985.00
  - \$31,013.00
  - \$49,984.00
  - \$58,012.00
20. The accounts of your creditors are found in the
- sales ledger
  - purchases ledger
  - general ledger
  - cash book ledger
21. Alpha Ltd makes a provision for bad debts equal to 4% of its debtors at the year end. Debtors at 31 December 1999 amounted to \$39,000. Debtors at 31 December 2000 amounted to \$42,620 of which \$1,570 was known to be bad. The debit to the profit and loss account for the year ended 31 December 2000 in respect of only the provision for bad debts will be:
- \$82.00
  - \$144.80
  - \$1,642.00
  - \$1,704.80
22. Scott plc purchased a machine for \$40,000 on May 1 1992. It sold the machine on 30 September 1995 for \$18,000. The company depreciates all machinery owned at 31 December each year at the rate of 25% using the reducing balance method. In the year to 31 December 1995, Scott plc will:
- credit the profit and loss account with a profit on disposal of \$1,125
  - debit the profit and loss account with a loss on disposal of \$1,125
  - credit the profit and loss account with a profit on disposal of \$5,344
  - debit the profit and loss account with a loss on disposal of \$5,344
23. The college is considering purchasing a new computerised accounting system. Which of the following would be considered as revenue expenditure?
- the purchase of computer hardware
  - the purchase of accounting software
  - the training of accounting staff to use the new system
  - purchases of paper for the printer

**Items 24 and 25 refer to the following information.**

A man bought a lathe for \$4,000. He estimated that its useful life was 5 years and would have a scrap value of \$200. He is unsure as to which method of depreciation he should use. He thinks about the reducing balance method with a rate of 20%.

24. What is the net book value of the lathe using the straight line method at the end of year 3?
- \$760
  - \$1,720
  - \$2,280
  - \$3,800
25. What is the depreciation charge for year 2 using the reducing balancing method?
- \$409.60
  - \$512.00
  - \$640.00
  - \$3,200
26. Calculate the amount to be charged to the P & L a/c for the year from the following information.
- |  |       |
|--|-------|
|  | \$    |
| Rates prepaid at the start of the year   | 104   |
| Rates paid during the year               | 1,760 |
| Rates outstanding at the end of the year | 28    |
- \$1,628
  - \$1,760
  - \$1,788
  - \$3,042
27. On 1 January 2000 Pratt paid an insurance premium of \$1,250 for the 15 months to 31 March 2001. When he prepared his profit and loss account for the year to 31 December 2000, Pratt debited only \$1,000 of the insurance premium to the P & L account and carried the balance of \$250 in the Insurance account forward to 2001. This is an example of the concept of:
- going concern
  - matching
  - prudence
  - realization
28. The balance in the Sales Ledger Control Account in the general ledger is:
- the total of the creditors
  - the total purchases
  - the total sales
  - the total of the debtors
29. Smith's capital at start was \$5,250, his capital at the end was \$5,600 and his drawings for the period amounted to \$1,200. What was his net profit?
- \$850
  - \$1,550
  - \$4,050
  - \$6,450

**Items 30 and 31 refer to the following information.**

A trader purchased goods valued at \$10,000 on 1 March 2001. He received a 10% trade discount and a 5% cash discount if he settled his account in 10 days.

30. If he settled his account on 7 March 2001, how much did he pay?
- \$9,900
  - \$9,405
  - \$9,000
  - \$8,550

31. If he settled his account on 31 March 2001, how much did he pay?
- \$9,900
  - \$9,405
  - \$9,000
  - \$8,550
32. On 1 July 2001, a petty cashier received an imprest of \$150. During the month petty cash expenses amounted to \$77.00 and \$2.00 were refunded by a staff member who made a personal telephone call. How much cash was needed to restore the imprest on July 30?
- \$73.00
  - \$75.00
  - \$77.00
  - \$150.00
33. To close off the sales account:
- Dr Sales                      Cr Trading a/c
  - Dr Sales                      Cr P & L a/c
  - Dr Trading a/c              Cr Sales
  - Dr P & L a/c                Cr Sales

**Items 34 to 37 refer to the following information**

**Extract from Trading Account of a trader**

	\$
Sales	18,000
Purchases	11,000
Closing stock	3,000
Sales return	500
Opening stock	4,000

34. What is the cost of goods available for sale?
35. What is the value of net sales?
36. What is the cost of goods sold?
37. What is the gross profit?
38. Which of the following would be the most suitable basis to apportion property insurance between departments?
- replacement value of the assets in each department
  - relative floor area of each department
  - turnover of each department
  - number of employees in each department
39. The last invoice John received for water was for \$1,950 and this covered the three-month period to 31 May 2001. What accrual or prepayment is required when preparing accounts for the year ended 30 June 2001?
- a prepayment of \$650
  - an accrual of \$650
  - a prepayment of \$1,950
  - an accrual of \$1,950
40. Which of the following is not a book of original entry?
- Petty cash book
  - Journal
  - Sales day book
  - Bank statement

END OF EXAMINATION