

SIR ARTHUR LEWIS COMMUNITY COLLEGE
Division of Technical Education & management Studies

EXAMINATION SESSION : May 2005

TUTORS : Ms J. Charlemagne; Mr N. B. Goolaman,
Mr Moore (Campus B - VFSS)

PROGRAMME CODE(S) : 3ABS-AOA-AD; HOS-FAB

PROGRAMME TITLES : Business Studies Applied Arts:-
Office Administration
: Hospitality Studies Applied Arts:
Food & Beverage
AGRI/CSE Elective

COURSE TITLE : Introduction to Financial Accounting

COURSE CODE : ACC101

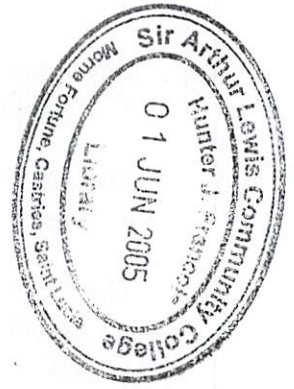
DATE : Wednesday, May 4th, 2005

COMMENCEMENT TIME : 1:00 P.M.

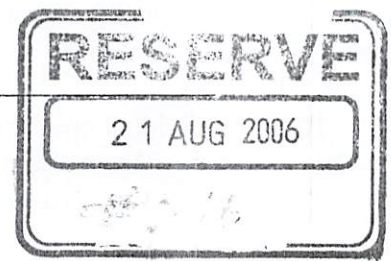
DURATION : 1 hour

INVIGILATOR(S) : Mrs L Joseph; Ms L Phillips;
Mr W Lamontagne; Ms P Pascal

ROOMS : TRT R3; HOS R2



#A22



PAPER I: Multiple Choice

INSTRUCTIONS

This paper contains FORTY (40) Multiple Choice items. You are required to answer all the questions by shading the alpha character corresponding to the correct response on the answer sheet provided.

You are permitted to use electronic calculators during the examination.

Borrowing or Lending is strictly prohibited during the examination.

Do not waste undue time on any one question.

Paper I: Multiple Choice

Answer the following multiple choice questions by circling the alpha character corresponding to the most appropriate response, using the answer sheet provided:

1. The business document given to the buyer when goods are bought on credit is known as a _____ to the buyer of the goods.
a. Sales invoice b. Credit note c. Cheque d. Purchase invoice
2. A statement prepared to show the net profit of a business is known as a/an
a. Income Statement b. Balance Sheet c. Funds Statement d. Daily Revenue
3. A statement prepared to show the summary of the Assets, Liabilities, and Owners' Equity of a business is called
a. Income Statement b. Balance Sheet c. Funds Statement d. Daily Revenue
4. Which of the following is incorrect?
a. Drawings decreases capital
b. Drawings is a contra account to capital
c. Drawings represents financial resources of the business which the owner takes for his own use
d. Drawings increases capital
5. The economic resources of a business are known as
a. Liabilities b. Assets c. Capital d. Income
6. The owners' claim on the economic resources of a business is known as
a. Liabilities b. Assets c. Capital d. Income
7. The external claims on the economic resources of a business are known as
a. Liabilities b. Assets c. Capital d. Income
8. The costs that are consumed during an Accounting period are known as
a. Liabilities b. Assets c. Income d. Expenses
9. The earnings of the business from normal operation are known as
a. Liabilities b. Assets c. Income d. Expenses
10. Individual creditors' accounts are found in the
a. Assets Register b. Sales Ledger
c. Purchases Ledger d. General Ledger
11. Goods-for-resale bought on credit are recorded in this book of original entry:
a. General Journal b. Purchases Journal
c. Sales Journal d. Cash Book
12. The Bank Account in the General Ledger of a business shows a credit balance. This means
a. An error has been made b. The business is bankrupt
c. The business has money in the bank d. The business' bank a/c is overdrawn
13. The price of acquisition of the goods sold by a business during an accounting period is called
a. Expenses b. Price Variance c. Sales d. Cost of Goods Sold
14. The excess of actual income over the cost of sales is known as
a. Net Profit b. Gross Profit c. Profit Variance d. Budgeted Profit
15. Which of the following is NOT recorded in the books of accounts of a business?
a. Discounts Allowed b. Trade Discounts
c. Discounts Allowed d. Cash Discount
16. The goods held in a warehouse for future sale are called
a. Inventory b. Fixed Asset c. Revenue d. Expense

30. Which of the following is a Liability?
 a. Provision for Depreciation b. Cash at Bank
 c. Accounts Payable d. Debtors
31. Credit Notes issued by us will be entered in our
 a. Sales Account b. Returns Outwards Account
 c. Returns Inwards Journal d. Returns Outwards Journal
32. Payments made to our suppliers are entered in the _____ Journal
 a. Cash Receipts b. Cash Disbursement c. Purchases d. Sales
33. The value of goods taken by the owner of a business for his/her personal consumption is charged to the _____ account
 a. Sales b. Capital c. Drawings d. Stock
34. The Cash Account of a firm shows a credit balance at the end of an accounting period. This is an indication that
 a. the firm has been robbed b. an error has been made
 c. the cash account is overdrawn d. there is too much petty cash
35. The Returns-Inwards account is a/an _____ account
 a. Contra b. Asset c. Expense d. Income
36. Control Accounts are found in the _____ Ledger
 a. Creditors b. Debtors c. General d. Inventory
37. A fixed sum of money kept in the office for paying small bills is referred to as a
 a. Cash Float b. Fixed Deposit c. Petty Cash Imprest d. Prepayment

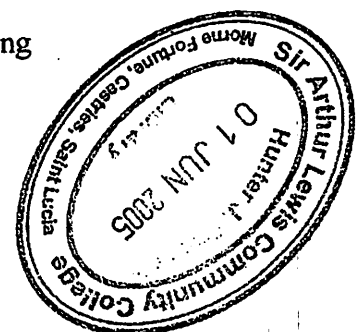
Questions 38 to 40 are related to the following case:

An Asset was purchased for \$25,000 on October 1, 2001. It depreciates at a rate of 20% p.a. on the reducing balance basis, taking into account any partial year's depreciation. The asset was sold on March 31, 2005 for \$12,000.

38. What is the Accumulated Depreciation on the asset on March 31, 2005?
 a. \$13,480 b. \$12,800 c. \$10,240 d. \$11,520
39. What is the Net Book value of the asset on March 31, 2005:
 a. \$13,480 b. \$12,800 c. \$12,000 d. \$11,520
40. What is the amount of profit/loss realized on the sale of the asset on March 31, 2005?
 a. \$12,000 Profit b. \$1,480 Loss
 c. \$1,480 Profit d. \$25,000 loss

Bonus Question

41. In the absence of a partnership deed, the partnership is legally governed by the provisions of
 a. the Company's Act of 1987 b. the Dominating partner's decisions
 c. the Business Entity concept d. the Partnership Act of 1890
42. The act of systematically analyzing, recording, summarizing and interpreting financial data in order to ascertain the financial position of a business at the end of an accounting period is called
 a. Final Accounts b. Accounting
 c. Bookkeeping d. Data Processing



17. "The business will continue to operate for an indefinitely long period of time, unless the opposite is known." This statement refers to the _____ concept
 a. Accrual b. Cost c. Business entity d. Going concern
18. "All expenses incurred (whether paid or not) must be matched against all the revenues earned (whether received or not) in the same accounting period in order to determine the true profit/loss of the business for that period." This statement describes the _____ concept
 a. Accrual b. Cost c. Business entity d. Going concern
19. "The financial affairs of a business must be kept separate and apart from that of the owner for accounting purposes." This statement describes the _____ concept
 a. Accrual b. Cost c. Business entity d. Going concern
20. A bank account on which a business can draw cheques and obtain overdraft facilities is called a _____ account
 a. Savings b. Current account c. Term deposit d. Loan
21. Which of the following gives a correct definition of the double entry system:
 a. Every account has two entries.
 b. Every transaction is recorded twice.
 c. Every transaction affects at least two accounts.
 d. Every two entries are recorded in the same account.
22. Depreciation is best defined as
 a. Cost of an asset which will be used in the business for a long time.
 b. The estimated value of the a fixed asset at the end of its estimated life.
 c. The part of the cost of a fixed asset consumed during a period of its use by the firm.
 d. The amount of money the firm must put aside for the replacement of a fixed asset.
23. According to the provisions of the Partnership Act (1890), profits and losses must be shared
 a. in the ratio of capital contributed by the partners.
 b. according to each partner's level of responsibility in the firm.
 c. equally among the partners.
 d. according to some prescribed ratio agreed upon by the partners.
24. The maximum number of partners allowed in a partnership business in most of the commonwealth countries is
 a. Two b. Seven c. Ten d. Twenty
25. A statement prepared to verify the bank account balance at the end of the an accounting period is called
 a. Bank Statement b. A Cash Book
 c. A Bank Reconciliation Statement d. An Income Statement
26. As the name implies, "Alf Enterprises" is a _____ business.
 a. Public Limited Company b. Partnership
 c. Sole Proprietorship d. Private Limited Liability Company
27. A partnership business has a net profit of \$36,000. By agreement the Partners, A and B, are to share profits and losses as follows: A is to receive a salary of \$5,000 and B \$6,000; the remaining Profit/(Loss) must be shared in the ratio of 3 : 2 respectively. What is A's total share of the profit?
 a. \$36,000 b. \$20,000 c. \$16,000 d. \$15,000
28. A cheque which has been sent back to the depositor by the bank for lack of sufficient fund is known as a/an _____ cheque.
 a. Dishonoured b. Unpresented c. Outstanding d. Cashier's
29. The person who is duly authorized to sign a cheque for the payment of an invoice is regarded as the _____.
 a. Payee b. Drawer c. Bank d. Seller