MULTIPLE CHOICE QUESTIONS

CHAPTERS 11 – 15

CHAPTER 11

1. The internal control system

   I. Reduces accounting errors

   II. Increases accounting errors

   III. Lessens the risks of intentional irregularities

   IV. Increases irregularities

   (A) I and II

   (B) I and III

   (C) II and III

   (D) II and IV

2. A suspense accounts was opened for an error of $100 found in the Trial Balance. Later it was discovered that purchases were understated by $100. This item would be corrected in the journal by

   (A) Dr. Trading and Profit and Loss account

   Cr. Suspense account

   (B) Dr. Suspense account

   Cr. Goods account

   (C) Dr. Purchase account

   Cr. Suspense account

   (D) Dr. Suspense account

   Cr. Purchases account
3. The net profit of a firm was shown as $2,000 and it was later discovered that Discount received were underestimated by $200 and purchases were understated by $150. The corrected net profit was

(A) $1,800  
(B) $1,850  
(C) $1,950  
(D) $2,050

4. The payment of wages to employees was not recorded in Joyce's Enterprises books. What type of error is this?

(A) Error of Omission  
(B) Error of Commission  
(C) Error of Principle  
(D) Reversal of Entries

5. An error was made in posting of cash sales for $2,000. The both accounts were understated by the amount. What type of error is this?

(A) Error of Principle  
(B) Error of Original Entry  
(C) Error of Commission  
(D) Reversal of Entries
ANSWERS

1. B
2. C
3. D
4. A
5. B
CHAPTER 12

1. Control accounts are kept so as to assist management in

   I. locating errors and lessening the risk of irregularities
   II. managing credit customers and credit suppliers
   III. increasing profits for a business
   IV. improving the reliability of financial data

   (A) I and II
   (B) I, II and III
   (C) I, II and IV
   (D) II, III and IV

The following balances refer to Items 2 - 4

<table>
<thead>
<tr>
<th>Balance</th>
<th>b/d</th>
<th>$80 000</th>
<th>Cash</th>
<th>$100 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>II</td>
<td></td>
<td>200 000</td>
<td>Bad debts</td>
<td>1 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discount allowed</td>
<td>2 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Balance</td>
<td>c/d 280 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>280 000</td>
<td></td>
<td>280 000</td>
</tr>
</tbody>
</table>

2. Which of the following BEST describes (I) above?

   (A) Debtors control
   (B) Creditors control
   (C) Prepaid rent control
   (D) Accrued wages control
3. Which of the following BEST describes (II) above?

   (A) Purchases
   (B) Sales
   (C) Rent
   (D) Wages

4. What is the CORRECT figure for (III) above?

   (A) $80 000
   (B) $100 000
   (C) $177 000
   (D) $280 000

5. At the start of the financial Annie has creditors of $5 600. He paid by cheque $20 000 to them during the year. Annie’s total credit purchases for the year was $40 000. What was her balance at the end of the year?

   (A) $20 000
   (B) $25 600
   (C) $40 000
   (D) $45 600

**ANSWERS**

1. C
2. A
3. B
4. C
5. B
CHAPTER 13

1. At the start of the financial year, Lassan’s Variety Store has debtors of $10 000. He received cash of $30 500 from his customers during the year. At the end of the year the amount still owing to him was $7 000. What were Lassan’s Variety Store total credit sales?

(A) $7 000  
(B) $27 500  
(C) $30 500  
(D) $37 500

2. On February 1, Ade Constructions Company capital is $70 000. The Company provided the following information in the table for the year ended February 28:

<table>
<thead>
<tr>
<th>Drawings</th>
<th>$ 5 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$150 000</td>
</tr>
<tr>
<td>Loan outstanding</td>
<td>5 000</td>
</tr>
<tr>
<td>Creditors</td>
<td>7 000</td>
</tr>
</tbody>
</table>

What was the net profit for that year?

(A) $12 000  
(B) $63 000  
(C) $70 000  
(D) $150 000
3. Kristen does not keep proper accounting records. She began business with $100,000 in the business bank account. She uses her BMW vehicle and building worth $300,000 and $500,000 respectively as part of her business. Customers owe her $8,000. She withdrew $40,000 for personal use and owed creditors $17,000. What is the closing capital of the business?

(A) $731,000  
(B) $791,000  
(C) $831,000  
(D) $808,000

4. Which of the following does NOT cause a change in the capital balance of a business?

(A) Electricity paid during the year  
(B) Additional capital invested by the owner during the period  
(C) Net profit or loss for the period  
(D) Drawings taken from the business by the owner

5. Which of the following financial statements are used for single entry accounting?

(A) Cash Flow Statement  
(B) Statement of Account  
(C) Balance Sheet  
(D) Statement of Affairs

ANSWERS

1. B  
2. B  
3. B  
4. A  
5. D
CHAPTER 14

1. A closing credit balance in the Bank Statement
   (A) shows that company owes the bank money
   (B) shows that the company has money in the bank
   (C) represents a credit transfer
   (D) represents a direct debit

2. A bank reconciliation statement is prepared to determine
   (A) the true bank balance of a business
   (B) how much a business owes its creditors
   (C) the true profit earned by a business
   (D) how much an owner withdraws from the business

3. A cheque may invalid for
   I. insufficient funds
   II. wrong dates
   III. improper signatures
   IV. overdraft interest
   (A) I and II
   (B) I and III
   (C) I, II and III
   (D) II, III and IV
4. The records used to reconcile a firm’s bank balances are

   I. Cash book
   II. Purchases journal
   III. Bank statement
   IV. Petty cash book

   (A) I and II
   (B) I and III
   (C) II and III
   (D) III and IV

5. The true bank balance shown in the Balance sheet comes from

   (A) adjusted cash book
   (B) bank statement
   (C) petty cash book
   (D) cash flow statement

**ANSWERS**

1. B
2. A
3. C
4. B
5. A
CHAPTER 15

The following information in the table below is for Item 1

<table>
<thead>
<tr>
<th>Capital</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kern Capital</td>
<td>20 000</td>
</tr>
<tr>
<td>Keron Capital</td>
<td>30 000</td>
</tr>
<tr>
<td>Makesi Capital</td>
<td>30 000</td>
</tr>
<tr>
<td>Kevin Capital</td>
<td>20 000</td>
</tr>
</tbody>
</table>

Kern, Keron, Makesi and Kevin are partners sharing profits and losses in proportion to their capitals. The capital of each is shown in the table above.

1. What is Kevin’s share of a profit of $20 000?
   (A) $4 000
   (B) $5 000
   (C) $6 000
   (D) $8 000

2. Which of the following is NOT an advantage of a partnership company?
   (A) Larger amounts of capital can be raised
   (B) Partners contribute skills and expertise in managing the business
   (C) Profits must be shared among partners in an agreed rate
   (D) Partners can take holidays

3. Which of the following accounts maintains the record of EACH partner’s stake in the business?
   (A) Appropriations account
   (B) Balance sheet
   (C) Current account
   (D) Trading and Profit and Loss account
Items 4 refer to the following information

Kyla, Mc Sween and Keavaughn just commenced business as partners with Kyla investing $200 000, Mc Sween $100 000 and Keavaughn $300 000 as their opening capitals.

The partnership agreement was made verbally. At the end of the first year the company made a profit of $60 000 and this amount must be shared among them.

4. How should the profit be shared among Kyla, Mc Sween and Keavaughn?

   (A) Shared equally among partners
   (B) According to the capital contributed
   (C) Profit would not be shared
   (D) Shared according to work load

5. What is the name of the document used to form a partnership company?

   (A) Memorandum of Association
   (B) Certificate of Incorporation
   (C) Partnership Deed
   (D) Articles of Association

ANSWERS

1. A
2. C
3. C
4. A
5. C