MULTIPLE CHOICE QUESTIONS

CHAPTERS 6 – 10

CHAPTER 6

1. Each ‘T’ account contains the exact amount owing to a supplier
   (A) Sales ledger
   (B) Purchases ledger
   (C) General ledger
   (D) Cash book

2. The Trial balance
   (A) is a listing of all the general ledger account balances at a particular date.
   (B) is a listing of all the assets and expenses at a particular date.
   (C) is a summary of all revenues and expenses at a particular date.
   (D) is a summary of cash inflows and cash outflows at a particular date.

3. Which of the following are Real accounts?
   I  Land
   II  Equipment
   III Creditors
   IV  Cash
   (A) I and II only
   (B) I, II and III
   (C) I, III and IV
   (D) I, II and IV
4. In which journal are debit notes received from suppliers are entered?

   (A) Returns outwards
   (B) Returns inwards
   (C) Sales
   (D) Purchases

5. Which of the following transactions should be entered in the Petty Cash Book?

   (A) Salary payments
   (B) Stock issued
   (C) Subscriptions
   (D) Travelling expenses

ANSWERS

1. B
2. A
3. D
4. D
5. D
CHAPTER 7

1. The statement that gives the financial performance of a business at a specified date is called a

   (A) Cash flow
   (B) Balance sheet
   (C) Income statement
   (D) Trial balance

2. Which of the following cannot be classified as a capital expenditure?

   (A) Maintenance of a truck
   (B) Purchase of a motor vehicle
   (C) Installation of new computers
   (D) Purchase of land

Items 3 – 5 refer to the Balance Sheet of Karlene

Karlene Balance Sheet

As at December 31, 2011

<table>
<thead>
<tr>
<th></th>
<th>$620 000</th>
<th>Land</th>
<th>$500 000</th>
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</thead>
<tbody>
<tr>
<td>Capital</td>
<td></td>
<td>Motor van</td>
<td>100 000</td>
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<tr>
<td>Net Profit</td>
<td>17 000</td>
<td>Stock</td>
<td>20 000</td>
</tr>
<tr>
<td>Drawings</td>
<td>10 000</td>
<td>Debtors</td>
<td>15 000</td>
</tr>
<tr>
<td>Creditors</td>
<td>10 000</td>
<td>Cash</td>
<td>5 000</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>13 000</td>
<td>Bank</td>
<td>10 000</td>
</tr>
<tr>
<td></td>
<td>650 000</td>
<td></td>
<td>650 000</td>
</tr>
</tbody>
</table>
3. What is Karlene’s working capital?

   (A) $20 000
   (B) $23 000
   (C) $27 000
   (D) $30 000

4. What is Karlene’s capital at close?

   (A) $620 000
   (B) $627 000
   (C) $637 000
   (D) $647 000

5. Which of the following describes the presentation of Karlene’s balance sheet?

   (A) Vertical
   (B) Horizontal
   (C) Liquidity
   (D) Periodic

ANSWERS

1. C
2. A
3. C
4. B
5. B
CHAPTER 8

1. Which of the following concepts states that all expenses incurred must be recorded in the accounting period?

   (A) Matching
   (B) Consistency
   (C) Cost
   (D) Entity

Item 2 refers to the following information

<table>
<thead>
<tr>
<th>Provision for Doubtful Debts a/c</th>
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<tbody>
<tr>
<td>Balance c/d:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Balance b/d:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Balance c/d</td>
</tr>
<tr>
<td>Balance b/d</td>
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<td>Balance c/d</td>
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<tr>
<td>Balance b/d</td>
</tr>
<tr>
<td>Balance c/d</td>
</tr>
<tr>
<td>Balance b/d</td>
</tr>
</tbody>
</table>

2. Which of the financial statements will the $6 000 be transferred to?

   (A) Profit and Loss account
   (B) Trading account
   (C) Balance sheet
   (D) Cash flow

3. A motor van valued at $200 000 is depreciated at 15% using the straight line method. What is the accumulated depreciation after 3 years?

   (A) $30 000
   (B) $60 000
   (C) $90 000
   (D) $110 000
4. Which of the following expenses is considered as a non-monetary expense?

   (A) Depreciation
   (B) Bad debts
   (C) Salary
   (D) Postage and stationery

5. The balance of an expense account is transferred to the

   (A) Balance Sheet
   (B) Cash Flow
   (C) Profit and Loss account
   (D) Trading account

**ANSWERS**

1. A
2. A
3. C
4. A
5. C
CHAPTER 9

1. Which of the following elements will be used to calculate profit?
   I. Cost of goods sold
   II. Wages and salaries
   III. Machinery
   IV. Closing stock
   (A) I
   (B) I and II
   (C) I and III
   (D) I and IV

2. In this method the first set of inventory received is the first to leave the warehouse. What is the name of this method?
   (A) First In First Out
   (B) Last In First Out
   (C) Average Cost
   (D) Next In First Out

3. In this method each time goods are purchased a new average cost of inventory is calculated. What is the name of this method?
   (A) Next In First Out
   (B) First In First Out
   (C) Last In First Out
   (D) Average Cost
4. Which of the following methods will value ending inventory at older prices?

(A) Average cost
(B) First In First Out
(C) Last In First Out
(D) Next In First Out

5. Which of the following stock valuation methods will yield the highest net profit?

(A) Average Cost
(B) Last In First Out
(C) Next In First Out
(D) First In First Out

ANSWERS
1. D
2. A
3. D
4. C
5. D
CHAPTER 10

Items 1 – 2 refer to the following balances taken from the books of Carla Company Limited

<table>
<thead>
<tr>
<th>ACCOUNT BALANCES</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Stock</td>
<td>2 000</td>
</tr>
<tr>
<td>Prepaid rent</td>
<td>1 000</td>
</tr>
<tr>
<td>Cash</td>
<td>3 000</td>
</tr>
<tr>
<td>Creditors</td>
<td>4 500</td>
</tr>
<tr>
<td>Wages owing</td>
<td>1 500</td>
</tr>
<tr>
<td>Bank</td>
<td>7 000</td>
</tr>
</tbody>
</table>

1. What is the working capital of Carla’s Company Limited?
   (A) $ 5 000
   (B) $ 8 000
   (C) $9 000
   (D) $13 000

2. What is the acid test ratio of Carla’s Company Limited?
   (A) 1.83:1
   (B) 2.09:1
   (C) 2.16:1
   (D) 2.45:1
3. Which of the following is **NOT** a profitability ratio?

   (A) Return on Capital employed
   (B) Current ratio
   (C) Gross markup
   (D) Net profit margin

4. Which of the following is the **CORRECT** formula to calculate stock turnover?

   (A) Cost of goods sold /average stock
   (B) Gross profit /Cost of goods sold
   (C) Current assets /Current liabilities
   (D) Gross profit/net sales

5. The ratios use to measure liquidity are

   I. Return on Capital employed
   II. Acid test ratio
   III. Gross margin
   IV. Debtors turnover

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

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