



BUSINESS ACCOUNTING

Paper 1 Multiple Choice

5921/01

October/November 2023

1 hour

You answer on the Answer Grid.
You will need a multiple-choice Answer Grid.

READ THESE INSTRUCTIONS FIRST

This Question Paper consists of 40 multiple choice questions.

Four possible answers are given for each question. Choose the **best** answer and shade your choice in the oval under the correct letter in soft pencil **HB** on the separate multiple choice Answer Grid provided.

Read all questions carefully.

Answer **all** questions.

EXAMPLE:

41 Which term represents the cost of borrowing money?

- A capital
- B interest
- C loan
- D price

41	A <input type="radio"/>	B <input checked="" type="radio"/>	C <input type="radio"/>	D <input type="radio"/>
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Marks	

This document consists of **11** printed pages and **1** blank page.

- 1 Which statement about the business entity principle is true?
- A accounting records assume the business will continue indefinitely
 - B accounting records contain only business not personal transactions
 - C every transaction is recorded twice in the accounting records
 - D only monetary transactions are recorded in the accounting records
- 2 Which accounting policy is applied when financial information is provided in time for financial decisions to be made?
- A comparability
 - B relevance
 - C reliability
 - D understandability
- 3 What are non-current liabilities?
- A amounts owed which are due for repayment within 12 months
 - B amounts owed which are not due for repayment within the next 12 months
 - C items which are expected to be turned into cash within the next 12 months
 - D items which a business expects to keep and use for over 12 months
- 4 A trader provided the following information on 1 September 2023.

	E
Trade payables	5 000
Trade receivables	4 300
Loan to employee	400
Bank overdraft	980
Commission receivable accrued	620
General expenses accrued	270

What was the total of the liabilities?

- A E5 280
- B E5 320
- C E5 890
- D E6 250

5 Jonah overcharged a credit customer for goods supplied.

Which document would Jonah issue to correct this error?

- A credit note
- B debit note
- C invoice
- D statement of account

6 On 1 August Portia purchased goods on credit from PK Traders and returned half of these on 4 August.

In which subsidiary books would PK Traders record these transactions?

- A purchases journal and returns inwards journal
- B purchases journal and returns outwards journal
- C sales journal and returns inwards journal
- D sales journal and returns outwards journal

7 On 1 July 2023, Sambo bought goods for E500 less 20% trade discount and 2% cash discount for payment within 30 days. Sambo settled his account on 3 August 2023.

How much did Sambo pay?

- A E390
- B E392
- C E400
- D E490

8 What has a zero rate of VAT in Eswatini?

- A baby clothing
- B cleaning items
- C luxury cars
- D medical supplies

- 9 On 30 March, Simba received a cheque from Mongi, a credit customer. On 8 April the cheque was returned unpaid by the bank.

What entry would Simba make on 8 April?

	account to be debited	account to be credited
A	Bank	Mongi
B	Irrecoverable debts	Mongi
C	Mongi	Bank
D	Mongi	Irrecoverable debts

- 10 The following account appeared in the ledger of Zondo on 30 September 2023.

Rent receivable account

2023	E	2022	E
Sept 30 income statement	15 000	Oct1 balance b/d	1 200
		2023	
		Sept 30 bank	13 100
		Sept 30 balance c/d	<u>700</u>
	<u>15 000</u>		<u>15 000</u>

What does the balance on 30 September 2023 represent?

	accrual	prepayment	asset	liability
A	✓		✓	
B		✓		✓
C	✓			✓
D		✓	✓	

- 11 Fana maintains a full set of accounting records.

Where would he maintain the account of Dudu, a credit supplier?

- A** general journal
- B** general ledger
- C** purchases journal
- D** purchases ledger

12 Which statements about the purpose of preparing a trial balance are true?

- 1 to assist in the preparation of financial statements
- 2 to check the accuracy of the subsidiary books
- 3 to check the arithmetic accuracy of the ledger

- A 1 and 2 only
- B 1 and 3 only
- C 2 and 3 only
- D 1, 2 and 3

13 Where are the balances of carriage inwards account and carriage outwards account shown in a trial balance?

	debit column	credit column
A	carriage inwards	carriage outwards
B	carriage outwards	carriage inwards
C	carriage inwards carriage outwards	–
D	–	carriage inwards carriage outwards

14 Which best describes an error of principle?

- A when a transaction is entered in the wrong class of account
- B when a transaction is entered in the wrong account of the same class
- C when an incorrect figure is used when a transaction is first recorded
- D when two or more errors are made which cancel each other out

15 Which is an error of complete reversal?

- A cash sales of E400 debited in the sales account and credited in the cash account
- B goods, E450, bought on credit from Sonkhe but recorded as E4500
- C payment of wages by cheque for E89 entered in the books as E98
- D rent account under-cast by E50 and commission received account over-cast by E50

- 16 Zakhe owns a hardware shop. He sold a printer, which had a book value of E1800, for E1400 which was received in cash. This transaction was **not** recorded in the accounting records.

What was the effect on the statement of financial position of **correcting** this error?

	non-current assets	E	current assets	E	capital	E
A	decrease	1400	increase	1400	no effect	
B	decrease	1400	increase	1800	increase	400
C	decrease	1800	increase	1400	decrease	400
D	decrease	1800	increase	1800	no effect	

- 17 What is the purpose of preparing a purchases ledger control account?

- A** to calculate the credit purchases for the period
- B** to calculate the total cash and credit purchases for the period
- C** to check how much is owed to trade payables
- D** to check the arithmetic accuracy of the purchases ledger

- 18 Buyani is preparing her sales ledger control account.

Which subsidiary book would she use to obtain information about interest charged on a credit customer's overdue account?

- A** cash book
- B** general journal
- C** sales journal
- D** sales returns journal

- 19 Why may a sales ledger control account have a credit balance?

- 1 a contra entry was made to an account in the purchases ledger
- 2 a credit customer returned goods after paying for them
- 3 a credit customer paid his account without deducting cash discount

- A** 1 and 2 only
- B** 1 and 3 only
- C** 2 and 3 only
- D** 1, 2 and 3

- 20 A trader purchased inventory.

How should this be classified in her accounting records?

- A as capital expenditure
- B as a capital receipt
- C as revenue expenditure
- D as a revenue receipt

- 21 Accrued income was omitted when the financial statements were prepared at the end of the financial year.

What was the **effect** of this error?

	effect on assets	effect on profit for the year
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

- 22 During the financial year Hlophe purchased goods for resale costing E60 each. He expected to sell these goods at E90 each.

At the end of the financial year Hlophe decided to value his inventory at selling price.

What was the **effect** of this decision?

- A profit was overstated
- B profit was understated
- C purchases were overstated
- D purchases were understated

- 23 Sizwe purchased a machine on 1 September 2021 at E10 000. Depreciation was charged at 20% per annum using the reducing balance method.

How much was shown for net book value of the machine in the statement of financial position on 31 August 2023?

- A E6 000
- B E6 400
- C E8 000
- D E8 400

- 24 What may appear in **both** the profit and loss appropriation account and the current account of a partner?
- A current account balance
 - B drawings
 - C interest on drawings
 - D interest on partner's loans
- 25 Hlali and Zonke are partners sharing profits and losses in the ratio 3:2 respectively, after charging Zonke's annual salary of E15 000. The partnership profit for the year ended 31 August 2023 was E55 000.
- How much was credited to Zonke's current account as share of profit for the year ended 31 August 2023?
- A E16 000
 - B E22 000
 - C E24 000
 - D E28 000
- 26 Which statement would identify a company as a private limited company rather than a public limited company?
- A it has continuity of existence
 - B it is required to publish financial statements
 - C liability of shareholders is limited to capital invested
 - D shares cannot be bought and sold on the stock exchange
- 27 Z Ltd was formed on 1 September 2022. A total of one million E1 shares were issued immediately and shareholders were asked to pay 75% of the sum due immediately and the remainder on 1 September 2023. On 1 February 2023 holders of 990 000 shares had paid the amount due.
- How much was the paid-up share capital on 1 February 2023?
- A E247 500
 - B E250 000
 - C E742 500
 - D E750 000

- 28** Which statements about ordinary shares are correct?
- 1 Ordinary shareholders are the last to be repaid if the company is wound up.
 - 2 Ordinary shares are part of the non-current liabilities of the company.
 - 3 Ordinary shareholders are regarded as the owners of the company.
- A** 1 and 2
B 1 and 3
C 2 and 3
D 3 only
- 29** What is the purpose of preparing a manufacturing account?
- A** to calculate cost of production
B to calculate factory overheads
C to calculate prime cost
D to calculate work in progress
- 30** Which group contains only factory overheads for a manufacturing business?
- A** carriage on raw materials, factory general expenses, factory rent
B depreciation of factory machinery, royalties, factory insurance
C factory lighting, depreciation of factory machinery, factory rent
D purchases of raw materials, royalties, work in progress
- 31** The wages of which group of workers employed by a manufacturing business would be classified as direct costs?
- 1 factory managers
 - 2 factory office staff
 - 3 factory production workers
- A** 1 only
B 1 and 2
C 2 and 3
D 3 only

32 Vuvu started a business on 1 September 2022 but did not maintain a full set of accounting records.

How can Vuvu's profit for the year ended 30 August 2023 be calculated?

- A closing capital – opening capital + drawings – capital introduced
- B closing capital – opening capital – drawings + capital introduced
- C closing capital + opening capital + drawings + capital introduced
- D closing capital + opening capital – drawings – capital introduced

33 Zozo started a business on 1 August 2022 but did not maintain a full set of accounting records.

How could she calculate her credit purchases for the first year of trading?

- A closing trade payables + payments to trade payables – discount allowed
- B closing trade payables + payments to trade payables + discount received
- C closing trade payables – payments to trade payables – returns inwards
- D closing trade payables – payments to trade payables + returns outwards

34 Which group contains only current assets?

- A accrued expenses, bank overdraft, trade payables
- B bank balance, prepaid expenses, trade receivables
- C bank loan, prepaid expenses, trade payables
- D equipment, goodwill, machinery, vehicles

35 A trader provided the following information on 31 August 2023.

	E
Inventory	6 550
Trade payables	6 700
Trade receivables	7 350
Balance at bank	1 900
Loan repayable at 1 March 2024	1 000
Loan repayable at 30 September 2024	3 000

How much was the working capital?

- A E4 300
- B E5 100
- C E6 800
- D E8 100

36 Which is a current liability for a business?

- A accrued interest charges on loan from the bank
- B provision for depreciation of non-current assets
- C seven-year loan from bank
- D telephone bill prepaid

37 A trader provided the following information:

	E
Revenue	29 000
Cost of sales	18 000
Expenses	9 000

What was the gross margin?

- A 6.90%
- B 37.93%
- C 62.07%
- D 68.97%

38 Zimele Traders provided the following information about the current ratio of the business.

31 October 2022	1.4:1
31 October 2023	1.9:1

What may have caused the change in the current ratio?

- A bank balance increased
- B inventory decreased
- C trade payables increased
- D trade receivables decreased

39 The profit margin of LDA Ltd was lower in 2022 than it was in 2021, even though the gross margin was the same in 2022 as it was in 2021.

What could have caused the profit margin to decrease?

- A increase in cost of sales
- B increase in dividends paid
- C increase in office expenses
- D increase in sales

40 What action will improve the gross margin of a business?

- A increasing selling expenses
- B increasing selling prices
- C reducing selling expenses
- D reducing selling prices

