

Candidate Name

Candidate Number

Centre Name

Centre Number

Paper 1: Accounting

For Examination December 2023

(1 Hour 30 Minutes)

INSTRUCTIONS:

- You must write your name, candidate number, centre name and centre number on the answer sheets in the designated spaces.
- Attempt all the questions required using a dark blue or black pen.
- Do not use correction fluid.
- Avoid writing on any bar codes.

INFORMATION:

Each question is allocated 1 mark. There are 50 questions in this paper. To indicate your response, place an X in the answer column (see example shown below). If you wish to change your chosen response, place a two score marks (see example shown below) and indicate your new response.

Q) How should learners indicate their chosen response to a question?		
	Multiple Choice Question	Answer
A	Option A	X
B	Option B	
C	Option C	X //
D	Option D	

Q1) What is the main purpose of a debit note?		
	Multiple Choice Question	Answer
A	a document issued from a seller to a buyer to inform them of their current obligations	
B	a document issued from a buyer to a seller to notify them of expected goods to be delivered	
C	a document issued from a debtor to a creditor to notify them of faulty goods which have been delivered	
D	a document issued from a creditor to a debtor to inform them of their credit obligations	

Q2) What is the main purpose of a credit note?		
	Multiple Choice Question	Answer
A	issued from a buyer to a seller in the event of damaged goods having been delivered	
B	a document issued from a seller to a buyer to inform them of their current obligations	
C	issued from a supplier to a customer to indicate a return of funds in the event of an invoice error	
D	a document issued from a debtor to a creditor to notify them of expected goods to be delivered	

Q3) What is the main purpose of an invoice?		
	Multiple Choice Question	Answer
A	issued from a buyer to a seller in the event of damaged goods	
B	issued from a seller to their supplier to notify them of intended goods to be delivered	
C	issued from a supplier to a customer to indicate a return of funds	
D	issued by a seller to a buyer relating to a sale transaction	

Q4) What is the main purpose of a statement of account?		
	Multiple Choice Question	Answer
A	a document that reflects all transactions that took place between a buyer and a seller	
B	a document issued from a seller to a buyer to inform them of their current debt obligations	
C	a document issued from a seller to a buyer to inform them of their current credit obligations	
D	a document issued from a debtor to a creditor to notify them of expected goods to be delivered	

Q5) What is the main purpose of a paying in slip?		
	Multiple Choice Question	Answer
A	a paper that is submitted alongside a bank deposit	
B	a paper which shows expected goods to be delivered	
C	a paper from a seller to a buyer regarding a sale transaction	
D	a paper from a buyer to a seller regarding a sale transaction	

Q6) What is the main purpose of a cheque counterfoil?		
	Multiple Choice Question	Answer
A	to provide a record of the transaction which is made at the point of paying a cheque into a bank account	
B	to provide a record of the transaction which is made after paying a cheque into a bank account	
C	to provide a record of the transaction which is made after proof of purchase	
D	issued from a seller to their supplier to notify them of intended goods having been delivered	

Q7) What is the purpose of double entry bookkeeping?		
	Multiple Choice Question	Answer
A	where every transaction is recorded in two accounts: a debit and a credit	
B	where every transaction is recorded in two accounts: journal and shareholder equity	
C	where every transaction is recorded in two accounts: statement of financial position and statement of cash flow	
D	where every transaction is recorded in two accounts: drawings and cash book	

Q8) What is the purpose of a cash receipt?		
	Multiple Choice Question	Answer
A	proof of purchase issued when the buyer has paid by debit card	
B	proof of purchase issued when the buyer has paid in cash.	
C	proof of purchase issued when the seller has paid in cash	
D	proof of purchase issued when the supplier has paid with a credit note	

Q9) What is an example of imprest petty cash system?		
	Multiple Choice Question	Answer
A	where a large number of cheques are set aside for significant expenses	
B	where a fixed amount of cash is withdrawn on a daily basis to pay for office expenses	
C	where a fixed amount of cash is withdrawn on a monthly basis to pay for capital expenses	
D	where a fixed amount of cash is set aside to cover office expenses	

Q10) What is the significance of a trial balance?		
	Multiple Choice Question	Answer
A	it balances the cash book accounts of a company at a certain point in time	
B	it balances the debtor ledger accounts of a company at the end of each month	
C	it balances the general ledger accounts of a company on a six monthly basis	
D	it balances the saving accounts at the end of each financial year	

Q11) What is a strength of the imprest petty cash system?		
	Multiple Choice Question	Answer
A	it replenishes credit card payments and cheques on a monthly basis	
B	it replenishes cheques and debit card payments on a daily basis	
C	it pays out more than is required in order to replenish the account	
D	it pays out the same amount of cash on a regular basis in order to replenish the account	

Q12) What is an advantage of a trial balance?		
	Multiple Choice Question	Answer
A	it helps to summarise all credit transactions of a business at any given moment in time	
B	it helps to summarise all bank cash payments and compare them to the bank statement	
C	it helps to summarise all financial transactions of a business at any given moment in time	
D	it helps to summarise all debit transactions of a business at any given moment in time	

Q13) What is the purpose of a bank reconciliation statement?		
	Multiple Choice Question	Answer
A	to ensure the additions and deductions on the bank statement are compared with the items that are entered in the general ledger	
B	a statement that lists the bank balances of all shareholders within a company at a certain point in time	
C	to ensure cash payments are compared with bank statements on a quarterly basis	
D	to ensure it lists the balances of all current and saving bank accounts at a certain point in time	

Q14) What is one of the processes when carrying out a bank reconciliation?		
	Multiple Choice Question	Answer
A	the company compares its bank statement with its general ledger statement within a defined period of time	
B	the company compares its cash book and credit card statement within a defined period of time	
C	the company compares its bank account statement with all entries within a defined period of time	
D	the company compares its credit card statement with all entries on its bank statement	

Q15) What is the purpose of a control account?		
	Multiple Choice Question	Answer
A	summarise transactions entered into cash book and prime book accounts	
B	summarise transactions entered into individual accounts from the sales and debtor ledgers	
C	corrects entries made in error across the statement of financial income and cash flow statement	
D	corrects transpositional errors made in general and debtor ledger accounts	

Q16) What is one of the roles of a book of prime entry?		
	Multiple Choice Question	Answer
A	it summarises transactions entered into cash book and prime book accounts	
B	it allows for transactions to be made by a business for the first time	
C	to ensure bank cash payments are compared with bank statements on a quarterly basis	
D	to ensure bank cash payments are compared with bank statements on an annual basis	

Q17) What is the purpose of business accounting?		
	Multiple Choice Question	Answer
A	to record and report on the company's financial transactions, cash flows and financial performance over an unspecified period of time	
B	to enable a business to show the state of its financial affairs to regulatory authorities over a stated period of time	
C	to record and report on the company's financial transactions, cash flows and financial performance over a stated period of time	
D	to produce a series of financial statements relating to cash flows, inventory reports and sales over an unspecified period of time	

Q18) Which of the following statements best describes the difference between bookkeeping and accounting?		
	Multiple Choice Question	Answer
A	bookkeeping is where a qualified accountant prepares a set of financial statements which are then approved by a non-qualified bookkeeper.	
B	bookkeeping focuses on the recording and organising of financial data, whereas accounting relates to the interpretation and presentation of this information.	
C	bookkeeping is where a non-qualified accountant prepares a set of financial statements which are then approved by a qualified accountant.	
D	accounting focuses on the recording and organising of financial data, whereas bookkeeping relates to the interpretation and presentation of this information.	

Q19) How will a company determine whether they have made a loss?		
	Multiple Choice Question	Answer
A	when their shareholder value exceeds their equity	
B	when their revenues exceed their expenses	
C	when their equity exceeds their shareholder value	
D	when their expenses exceed their revenues	

Q20) What is the mechanism for measuring profits within a business?		
	Multiple Choice Question	Answer
A	total revenue minus expenses = profit	
B	total revenue plus expenses = profit	
C	total revenue plus equity = profit	
D	total revenue minus equity = profit	

Q21) How does accounting activity influence decision making within a business?		
	Multiple Choice Question	Answer
A	by helping external stakeholders to monitor and track efficiency and develop business related strategies	
B	by helping authorities determine the legal stability of a company over a defined period of time	
C	by helping managers to monitor and track spending in order to develop business related strategies	
D	by enabling customers, stakeholders, and banks to know the financial stability and long-term prospects of a business	

Q22) From an accounting perspective, what is meant by the term going concern?		
	Multiple Choice Question	Answer
A	a business that is financially unstable and will continue to operate for the next 12 months	
B	a business that is marginally stable and which is able to continue to operate for the next 24 months	
C	a business that is financially stable and which is able to continue to operate for the next 12 months	
D	a business that is marginally stable and which is able to continue to operate for the next 6 months	

Q23) From an accounting perspective, what is meant by the term materiality?		
	Multiple Choice Question	Answer
A	a concept that determines whether an omission or misstatement has the ability to influence the decision of a user of financial statements	
B	a principle which determines the importance of including non-relevant financial information within a set of financial documents	
C	a concept that requires all non-essential information to be made available to influence the decision of a user of financial statements	
D	a principle which ensures misstatements are omitted from all financial information within a set of financial documents no matter how insignificant	

Q24) From an accounting perspective, what is meant by the term realisation?		
	Multiple Choice Question	Answer
A	the point at which payment is received by a customer	
B	the point at which payment is due to be sent by a customer	
C	the point at which payment is accrued by a customer	
D	the point at which payment is refunded to a customer	

Q25) From an accounting perspective, what is meant by the term historic cost?		
	Multiple Choice Question	Answer
A	the price paid for an asset at the point of purchase	
B	the price paid for an asset at the point of negotiation	
C	the price agreed for an asset at the point of sale	
D	the price agreed for an asset at the point of return	

Q26) What is an essential objective in selecting suitable accounting policies?		
	Multiple Choice Question	Answer
A	balance the costs of the business based on profit raised in the preceding 12 months with estimated income expected over the next 12 months	
B	balance the costs in following a particular set of accounting policies against the benefits that are likely to flow to the end user	
C	implement whatever financial policies, procedures and controls are required in order to meet the needs of the shareholders	
D	balance the costs of following a set of policies with the income and profit raised within an accounting period	

Q27) What is the significance of international accounting standards?		
	Multiple Choice Question	Answer
A	to ensure financial statements are based on tangible and intangible assets and liabilities	
B	to ensure financial statements are varied depending on business needs and aligned to the accounting period of individual companies	
C	to ensure financial statements are opaque, prudent, and comparable in a global context	
D	to ensure financial statements are transparent, consistent, and comparable in a global context.	

Q28) What is the accounting equation?		
	Multiple Choice Question	Answer
A	assets = liabilities - drawings / equity	
B	assets = liabilities / equity	
C	assets = liabilities - equity	
D	assets = liabilities + equity - drawings	

Q29) Which of the following are examples of liabilities?		
	Multiple Choice Question	Answer
A	credit note from supplier, bank loan and overdue car loan payment	
B	cash in the bank, accrued rent and money owed to you by customers	
C	bank overdraft, money owed to suppliers and overdue rates payment	
D	cash in the bank, rent prepayment and vehicles	

Q30) Which of the following are examples of assets?		
	Multiple Choice Question	Answer
A	bank overdraft, accrued rent and money owed to you by customers	
B	bank overdraft, money owed to suppliers and overdue rates payment	
C	cash in the bank, rent prepayment and vehicles	
D	credit note from supplier, bank loan and overdue car loan payment	

Q31) What are revenue receipts?		
	Multiple Choice Question	Answer
A	money received from shareholders due to share capital raised on debentures	
B	money received by a company as a result of it carrying out core activities	
C	money owed to a supplier as a result of a company carrying out core activities	
D	money received from a creditor as a result of a long-term credit agreement	

Q32) What is a definition of revenue expenditure?		
	Multiple Choice Question	Answer
A	expenses which occur in the long term and are only used when the business needs to raise financial equity	
B	tangible assets which are acquired and capitalised within one year of acquisition	
C	intangible assets which are acquired and capitalised within one year of acquisition	
D	expenses which occur in the short-term and are either used immediately or within one year	

Q33) What is a definition of capital?		
	Multiple Choice Question	Answer
A	a bank overdraft which is called upon when the business is in financial need	
B	equity which is built up within the business and released as and when required	
C	amount of assets invested in a business by an owner in order to meet business expenses	
D	a bank loan which is acquired within two weeks of a business applying for a business licence	

Q34) What is a definition of prudence in terms of accounting?		
	Multiple Choice Question	Answer
A	the concept of being cautious when making estimates and judgements	
B	the concept of inflating values on assets and income	
C	the concept of under estimating assets and liabilities	
D	the concept of being cautious when making business predictions	

Q35) What is the effect on asset valuations when capital expenditure is incorrectly treated as revenue expenditure?		
	Multiple Choice Question	Answer
A	current assets will be overstated	
B	current assets will be understated	
C	non-current assets will be overstated	
D	non-current assets will be understated	

Q36) What is the effect on profit when revenue expenditure is incorrectly treated as capital expenditure?		
	Multiple Choice Question	Answer
A	current assets for the year will be overstated	
B	profit for the year will be overstated	
C	current assets for the year will be understated	
D	profit for the year will be understated	

Q37) What is meant by depreciation in accounting terms?		
	Multiple Choice Question	Answer
A	depreciation is the actual reduction, over a period of time, in the fair value of an asset due its consumption in the use of a business	
B	depreciation is the increase in value based on its price and minimal use over a specific period of time	
C	depreciation is the reduction in the value of an asset due its price and light consumption in the use of a business	
D	depreciation is the increase in value as to the use of an asset due to its consumption in the use of a business	

Q38) Which of the following concepts must be borne in mind when dealing with accounting depreciation?		
	Multiple Choice Question	Answer
A	variability of the asset	
B	revalued cost of the asset	
C	perishability of the asset	
D	fixed cost of the asset	

Q39) Which of the following represents the straight line method of depreciation?		
	Multiple Choice Question	Answer
A	where the value of an asset is divided into two equal amounts and then deducted bi-annually over the useful life of an asset	
B	where differing amounts of depreciation are applied and deducted from the value of an asset for each year of its useful life	
C	where the value of an asset is divided into four equal amounts and then deducted quarterly over the useful life of an asset	
D	where the same amount of depreciation is applied and deducted from the value of an asset for each year of its useful life	

Q40) Which of the following represents the revaluation method of depreciation?		
	Multiple Choice Question	Answer
A	where depreciation is calculated on the basis of revalued amount less fixed amount over the remaining useful life of the asset	
B	where depreciation is calculated on the basis of fixed amount less revalued amount over the remaining useful life of the asset	
C	where depreciation is calculated on the basis of revalued amount less residual value over the remaining useful life of the asset	
D	where depreciation is calculated on the basis of historic amount less revalued amount over the remaining useful life of the asset	

Q41) Which of the following represents the reducing method of depreciation?		
	Multiple Choice Question	Answer
A	where an accelerated amount of depreciation is applied during the earlier years of an asset's useful life and lesser amount applied to the later years of an asset's useful life	
B	where the same amount of depreciation is applied and therefore deducted from the value of an asset for each year of its useful life	
C	where a lesser amount of depreciation is applied during the earlier years of an asset's useful life and an accelerated amount is applied to the later years of an asset's useful life	
D	where differing amounts of depreciation are applied and deducted from the value of an asset for each year of its useful life	

Q42) What is the significance of matching costs and revenues?		
	Multiple Choice Question	Answer
A	to ensure costs and revenues are matched to the debtors and creditors lists	
B	to ensure costs and revenues are matched in the cash flow statement and statement of financial income only	
C	to ensure costs and revenues are matched to shareholder equity and the appropriation account	
D	to ensure costs and revenues are matched in order to link the costs of an asset or revenue to its realisable benefit	

Q43) What is the meaning of an irrecoverable debt?		
	Multiple Choice Question	Answer
A	an asset which has failed to realise its full value	
B	an invoice which will be paid later than expected	
C	an invoice which will not be paid	
D	a liability which has failed to realise its full value	

Q44) How are goods used by the owners of a business shown in financial statements?		
	Multiple Choice Question	Answer
A	drawings	
B	assets	
C	liabilities	
D	expenses	

Q45) Which of the following is a likely cause of incorrect inventory valuation?		
	Multiple Choice Question	Answer
A	changes in accounting policy for inventory valuation from LIFO to FIFO	
B	change to nominated inventory personnel occurring over an accounting period	
C	change in frequency of office stationery from weekly to monthly	
D	change in address of multiple suppliers providing inventory to the business	

Q46) Which of the following is a consequence of incorrect inventory valuation?		
	Multiple Choice Question	Answer
A	overstated cost of goods sold which leads to understated inventory	
B	understated cost of goods sold which leads to overstated inventory	
C	overstated costs of goods sold which leads to overstated inventory	
D	understated cost of goods sold which leads to understated inventory	

Q47) What is one of the limitations of working as a sole trader?		
	Multiple Choice Question	Answer
A	the individual has unlimited liability for income as there is a legal distinction between private and business assets	
B	the individual has unlimited liability for debts as there is no legal distinction between private and business assets	
C	the individual has limited liability for assets debts and managing payments between creditors and debtors	
D	the individual has limited liability for debts as there is no legal distinction between private and business assets	

Q48) What is the purpose of a statement of financial position?		
	Multiple Choice Question	Answer
A	to ensure costs and revenues are matched to shareholder equity	
B	to ensure financial statements are varied depending on business needs	
C	to evaluate a company's financial status and earnings potential	
D	to ensure costs and revenues are matched in the cash flow statement	

Q49) What is the purpose of an income statement?		
	Multiple Choice Question	Answer
A	to provide a breakdown of a company's income and expenditure	
B	to provide a breakdown of a company's income and assets	
C	to provide a breakdown of a company's income and liabilities	
D	to provide a breakdown of a company's income and expenses	

Q50) Which of the following components would you expect to see within a statement of financial position?		
	Multiple Choice Question	Answer
A	company assets, liabilities, and equity	
B	company assets, liabilities, and cash flow	
C	company debts, liabilities, and creditors	
D	company debtors, assets, and equity	