

Accounting Multiple
choice Past Paper
O level November 2021

1. Which statement is correct?

- A The accountant prepares the trial balance and the book-keeper prepares the financial statements.
- B The accountant writes up the journals and the book-keeper writes up the ledger accounts.
- C The book-keeper writes up the journals and the accountant prepares the trial balance
- D The book-keeper writes up the ledger accounts and the accountant prepares the financial statements.

Book-keeping involves the collection, recording, storage and retrieval of financial transactions of a business.

Accounting is the process of collecting, recording, classifying, summarising, analysing, interpreting and communicating financial data in order to allow the users of accounting information to make informed judgements and decisions.

Answer: D

2. Which formulas may be used for the accounting equation?

- 1 assets - owner's equity minus liabilities
- 2 liabilities = assets minus owner's equity
- 3 owner's equity = assets plus liabilities
- 4 owner's equity plus liabilities = assets

- A 1 and 2
- B 1 and 3
- C 2 and 4
- D 3 and 4

Accounting equation is a formula that is used to illustrate the relationship between the assets, liabilities and owner's equity of a business. It shows that all the assets of a business are provided or funded either by the owner or the trade payables or other creditors of the business. Accounting equation is:

**Assets = owner's equity plus liabilities
or Liabilities = assets minus owner's equity
or Owners equity + liabilities = assets**

Answer: C

3. Goods purchased on credit from Zamir were returned by Ashwin.

Which entries should Zamir make to record this?

	account debited	account credited
A	Ashwin	purchase returns
B	purchase returns	Zamir
C	sales returns	Ashwin
D	Zamir	sales returns

Ashwin is a customer for Zamir. Zamir had sold goods to Ashwin. The entry for sales returns in Zamir books will be as follows.

Sales returns Debit

Ashwin Credit

Answer: C

4. During her first financial year, a trader paid \$1800 for insurance and \$3200 for rent.

At the end of the financial year, she transferred insurance of \$1500 and rent of \$3600 to the income statement.

What do the balances remaining on the accounts at the end of the financial year represent?

	insurance account	rent account
A	accrued expense	accrued expense
B	accrued expense	prepaid expense
C	prepaid expense	accrued expense
D	prepaid expense	prepaid expense

A prepaid expense is an expense paid in advance, for the next financial year. She paid \$300 in advance for insurance. This is a prepaid expense.

An accrued expense is an expense owing either at the beginning or at the end of the financial year. \$400 was accrued for rent expense as she paid \$3200 instead of \$3600.

Answer C

5. Leah bought goods, \$8000, less 15% trade discount. She later returned half of these goods as they were faulty.

Which document did Leah issue to the supplier for the returned goods?

- A credit note for \$3400
- B debit note for \$3400
- C credit note for \$4000
- D debit note for \$4000