

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.

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

<b>Q1) What is the main purpose of a debit note?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q2) What is the main purpose of a credit note?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q3) What is the main purpose of an invoice?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q4) What is the main purpose of a statement of account?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q5) What is the main purpose of a paying in slip?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q6) What is the main purpose of a cheque counterfoil?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q7) What is the purpose of double entry bookkeeping?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q8) What is the purpose of a cash receipt?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q9) What is an example of imprest petty cash system?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q10) What is the significance of a trial balance?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q11) What is a strength of the imprest petty cash system?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q12) What is an advantage of a trial balance?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q13) What is the purpose of a bank reconciliation statement?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q14) What is one of the processes when carrying out a bank reconciliation?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q15) What is the purpose of a control account?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q16) What is one of the roles of a book of prime entry?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q17) What is the purpose of business accounting?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q18) Which of the following statements best describes the difference between bookkeeping and accounting?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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.	

<b>Q19) How will a company determine whether they have made a loss?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

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

<b>Q21) How does accounting activity influence decision making within a business?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q22) From an accounting perspective, what is meant by the term going concern?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q23) From an accounting perspective, what is meant by the term materiality?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q24) From an accounting perspective, what is meant by the term realisation?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q25) From an accounting perspective, what is meant by the term historic cost?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q26) What is an essential objective in selecting suitable accounting policies?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q27) What is the significance of international accounting standards?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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.	

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



<b>Q29) Which of the following are examples of liabilities?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q30) Which of the following are examples of assets?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q31) What are revenue receipts?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q32) What is a definition of revenue expenditure?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q33) What is a definition of capital?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q34) What is a definition of prudence in terms of accounting?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q35) What is the effect on asset valuations when capital expenditure is incorrectly treated as revenue expenditure?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q36) What is the effect on profit when revenue expenditure is incorrectly treated as capital expenditure?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q37) What is meant by depreciation in accounting terms?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

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

<b>Q39) Which of the following represents the straight line method of depreciation?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q40) Which of the following represents the revaluation method of depreciation?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q41) Which of the following represents the reducing method of depreciation?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q42) What is the significance of matching costs and revenues?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q43) What is the meaning of an irrecoverable debt?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

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

<b>Q45) Which of the following is a likely cause of incorrect inventory valuation?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q46) Which of the following is a consequence of incorrect inventory valuation?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q47) What is one of the limitations of working as a sole trader?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q48) What is the purpose of a statement of financial position?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q49) What is the purpose of an income statement?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	

<b>Q50) Which of the following components would you expect to see within a statement of financial position?</b>		
	<b>Multiple Choice Question</b>	<b>Answer</b>
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	