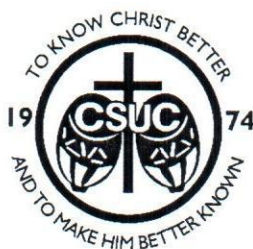


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**CHRISTIAN SERVICE UNIVERSITY COLLEGE**

**KUMASI, GHANA**

**FACULTY/SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING AND FINANCE.**

**END OF FIRST SEMESTER EXAMINATIONS – 2020/2021 ACADEMIC YEAR**

**BACHELOR OF BUSINESS ADMINISTRATION**

**LEVEL 200**

**COURSE CODE: CSBA 258 PRINCIPLES OF ACCOUNTING 2**

**MAY 2021**

**Time Allowed: 1 HOUR**

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**GENERAL INSTRUCTION TO CANDIDATES:**

- i. *This paper comprises 60 Multiple Choice Questions. **ANSWER ALL QUESTIONS** by **CIRCLING** the most appropriate option in **INK** on the Question Paper*
- ii. *Clearly indicate your **index number** on every page of the question paper.*
- iii. *You are required to return your question paper upon completion.*

**You are NOT to start work or turn to the next page until you are told to do so. Do not take away any section of this paper**

**Attempt all questions**

1. It has come to your attention that a bad debt has occurred and an accounting entry is needed to record this. Which of the following statements best describes this entry?

- (a) Writing off a bad debt.
- (b) Providing for a doubtful debt.
- (c) Providing for bad debts.
- (d) Charge for increase provision for bad debts.

2. The difference between a bad debt and a bad debt provision is described by all but which one of the following?

- (a) A bad debt is a specific amount; a bad debt provision is an estimate.

(b) A bad debt provision account aims to write off the cost of future bad debts, a bad debt is a cost incurred in the present accounting period.

(c) The balance on the bad debt account is written off in the profit and loss account, the bad debt provision account is shown in the balance sheet as a deduction from debtors.

(d) The bad debt account and changes in the bad debt provision both directly affect the debtors' account.

3. Which of the following statements is incorrect?

(a) The balance on the debtors control account in the trial balance is not affected by the balance on the bad debts account in the trial balance.

(b) The balance on the debtors control account is not affected by the provision for bad debts.

(c) A year end adjustment to write of bad debts reduces the debtors control account balance. (d) The debtors balance in the balance sheet is the balance per the trial balance less the bad debt provision and the balance on the bad debt account.

4. Which of the following statements best describes the reasoning behind the bad debt provision? (a) The bad debt provision aims to estimate the bad debts of an organisation.

(b) The bad debt provision writes off the bad debts of the company.

(c) The bad debt provision matches the estimated cost of bad debts against the revenue incurred in giving rise to the potential bad debts.

(d) The provision records bad debts without taking the debt out of the books of the company thus showing the full debt owing by the debtor.

5. The balance on the debtors control account is £3,000, the balance on the bad debt account is £500 and the balance on the provision for bad debts account is £200.

The net figure for debtors in the balance sheet is:

(a) £3,000.

(b) £2,500.

(c) £2,300.

(d) £2,800.

6. The debtors control account balance is £12,640, the balance on the provision for bad debts account is £640, the balance on the bad debts account is £500 and the provision for bad debts is to be 5% of debtors. The bad debt provision adjustment in the profit and loss account is: (a) £607 Dr. (b) £575 Dr. (c) £ 33 Cr. (d) £ 8 Cr.

7. The balance on the debtors control account is £5,000, the balance on the provision for bad debts account is £250 and the balance on the bad debts account is £500.

You are to write off bad debts of £100 and to make a final provision of 5% of debtors. The total charge for, bad debts (including for the provision) in the profit and loss account is:

(a) £570.

(b) £582.50.

(c) £557.50.

(d) £595.



The balance on the debtors account is £4,000, the balance on the bad debts account is £400 and on the bad debt provision account is £810. You are to write off bad debts of £200 and make a final provision for bad debts of 5%. What will be the balance on the debtors account in the nominal ledger after these adjustments?

- (a) £3,400.
- (b) £3,800.
- (c) £4,230.
- (d) £3,610.

Which of the following methods of calculating the bad debt provision would be unacceptable? (a) As a % of sales. (b) As a % of credit sales. (c) As a % of cash sales. (d) As a % of closing debtors.

10. The double entry for bad debts recovered should be:

- (a) Dr. Bad debts. Cr. Debtors.
- (b) Dr. Bad debts recovered. Cr. Debtors.
- (c) Dr. Bank. Cr. Debtors.
- (d) Dr. Bank. Cr. Bad debts.

11. The balance on the debtors account is £6,000, on the bad debts account is £300 and on the provision for bad debts account is £285. If a bad debt of £300 is subsequently recovered what is the correct balance on the debtors account in the nominal ledger now?

- (a) £6,000.
- (b) £5,700.
- (c) £5,715.
- (d) £5,415.

12. The balance on the bad debts account is £500. You are required to increase the provision for bad debts from £500 to £1,000, to write off additional bad debts of £500 and to record a bad debt recovered of £500. What is the final net charge for bad debts in the profit and loss account?

- (a) £2,000.
- (b) £1,000.

- (c) £1,500.
- (d) £2,500.

13. The bad debt provision account is to be adjusted from £1,000 to £500. The appropriate double entry would be:

- (a) Dr. Bad debt provision. Cr. Profit and loss account.
- (b) Dr. Profit and loss account. Cr. Bad debt provision.
- (c) Dr. Bad debts. Cr. Bad debt provision.
- (d) Dr. Bad debt provision. Cr. Debtors.

14. The recorded balance for trade debtors is £1,000, the balance on the bad debts account is £50 and on the bad debt provision account is £25. What is the balance on the debtors account in the normal ledger?

- (a) £1,000.
- (b) £ 950.
- (c) £ 925.
- (d) £ 975.

15. The balance on the debtors account includes an amount owing from Z Ltd. of £500. Z Ltd. has recently been put into liquidation and the liquidator has indicated that he will only be able to make a distribution of 50p in the pound. This information will have which of the following effects?

- (a) Writing off £500 as a bad debt.
- (b) Writing off £250 as a bad debt.
- (c) No affect until the liquidator makes the first distribution and more accurate information is available.
- (d) Writing off £250 as a bad debt and in addition providing for the debt in full in the amount of £500.

16. The net debtors in the balance sheet after a provision of 5% were £475,000 on 1 January. The net figure on 31 December was £546,000. You are to write off a debt of £4,000 and correct for £27,000 received from debtors recorded in error in sales. What would the closing balance on the bad debt provision account



the policy to provide for 5% of debtors is used?

- 7,000.
- 5,750.
- 3,750.
- 6,937.50

The balance on the debtors account is £5,000. A provision for discount allowed of 2% of debtors is made and the balance on this account is £100. What is the balance on the provision for bad debts account if debtors of 5% of debtors are to be provided?

- £250.
- £255.
- £245.
- £350.

A bad debt of £100 was recovered and this amount was credited to the debtor's account. Which of the following adjusting entries is necessary given that the balance balances?

- None.
- Dr. Bank. Cr. Bad debt recovered.
- Dr. Bank. Cr. Debtors.
- Dr. Debtors. Cr. Bad debt recovered

Depreciation is best described as:

- (a) Writing off the cost of an asset over its estimated useful life.
- (b) Matching the cost of a fixed asset to its related revenue generation period and writing it off accordingly.
- (c) Writing off the cost of a fixed asset evenly over its useful life.
- (d) Writing off the cost of a fixed asset over its estimated useful life in ever decreasing amounts.

20. Which one of the following items of information is not normally required in calculating depreciation? (a) The cost of the fixed asset. (b) The immaterial scrap value of the fixed asset at the end of its useful life. (c) The useful life of the asset. (d)

The forecast revenue to be made through use of the fixed asset.

21. Which of the following methods of depreciation is best? (a) Straight-line. (b) Reducing balance. (c) Equal annual instalments method. (d) The method depends on the revenue generating profile of the asset.

22. Which is the odd one out?

- (a) Aggregate depreciation.
- (b) Accumulated depreciation.
- (c) Provision for depreciation.
- (d) Depreciation.

23. The initials N.B.V. stand for:

- (a) Net book value i.e. Fixed asset cost + annual depreciation.
- (b) Net book value i.e. Fixed asset cost — aggregate depreciation.
- (c) Net book value i.e. Fixed asset cost + aggregate depreciation.
- (d) Net book value i.e. Fixed asset cost - depreciation charge.

24. An asset costs £1,000, has a useful life of 5 years and a scrap value of £200. The charge for depreciation, calculated on a straight-line basis, in year 2 is:

- (a) £200.
- (b) £128.
- (c) £160.
- (d) £240.

25. The balance on the plant and machinery account at cost on 1 January 19X1 was £5,000. On 1 May plant costing £750 was sold. New machinery costing £3,000 was purchased on 1 September. Depreciation is charged, month by month, on a straight-line basis at 10% per annum and amounts for the year ending 31 December 19X1 to:

- (a) £625.
- (b) £550. (c) £525.
- (d) £600.



26. Using the figures in question 8. above calculate depreciation, month by month, on a straight-line basis at 10% per annum on ONLY those assets in use at the end of the year.

- (a) £525.
- (b) £550.
- (c) £625.
- (d) £800

27. A company makes a loss on disposal of a fixed asset. Which of the following does not account for this loss?

- (a) An incorrect estimate of the material scrap value of the asset.
- (b) An incorrect estimate of the useful life of the asset.
- (c) Disposal of the asset for cash after the end of the useful life of the asset.
- (d) Too low a rate of depreciation.

28. An asset, which cost £500 on 1 January 19X1, was depreciated on a straight-line basis at 20% per annum, month by month, and was sold on 1 April 19X3 for £250. What was the profit or loss on disposal?

- (a) £75 profit.
- (b) £50 loss.
- (c) £50 profit.
- (d) £25 loss.

29. An asset cost £10,000 on 1 June 19X1, was depreciated on a straight-line basis, month by month, at 10% per annum and was traded in against a new asset on 1 February 19X9. The new asset cost £15,000 but the company only had to pay £12,000. What is the profit or loss on disposal? (a) £1,250 profit.

- (b) £ 750 profit.
- (c) £ 750 loss.
- (d) £1,250 loss.

30. The double entry to record the value on trade-in of a fixed asset for a new asset is:

- (a) Dr. Bank account. Cr. Disposal account.
- (b) Dr. Bank account. Cr. Fixed asset account.

- (c) Dr. Fixed asset account. Cr. Disposal account.
- (d) Dr. Disposal account. Cr. Fixed asset account.

31. A motor vehicle was purchased on 1 July 19X3 by trading in an existing vehicle. The trade-in is listed in the asset records as having a 5 equal years' useful life and costing £4,000 on 1 May 19X1. The company paid £4,500 for the new van whose list price is £5,500. What is the loss on disposal?

- (a) £1,766.66.
- (b) £1,266.66.
- (c) £ 766.66.
- (d) £1,200.00

32. Which of the following transactions would change the capital of a sole trader?

- (a) Purchase of a fixed asset for cash.
- (b) Sale of a fixed asset for its book value.
- (c) Purchase of a fixed asset on credit.
- (d) Sale of fixed asset in excess of book value.

33. An item of expenditure is either written off immediately to the profit and loss account or is capitalised on the balance sheet to be written off over its useful life. Which of the following is irrelevant in deciding whether to capitalise or write off the expenditure?

- (a) The improvement value, if any, of the expenditure.
- (b) The ability of the asset to generate profit in future accounting periods.
- (c) The likelihood of being able to recover the expenditure in future accounting periods.
- (d) The date on which the expenditure is incurred.

34. Which of the following items of expenditure would not be capitalised?

- (a) A mine subject to depletion.
- (b) A motor vehicle for re-sale.
- (c) The cost of major re-wiring for a new computer.
- (d) Site clearance costs prior to building a new factory

35. Finished goods stock is included in arriving at which of the following?



(a) Prime cost. (b) Production cost of goods completed.

(c) Cost of production.

(d) Cost of goods sold.

36. Which of the following would not be included in calculating gross profit?

(a) Opening work-in-progress stock.

(b) Closing finished goods stock.

(c) Closing raw material stock.

(d) Opening stationery stock.

QUESTIONS 37 TO 40 ARE BASED ON THE FOLLOWING INFORMATION

Stock- 1.1.19X2	£
Raw material m Material	80
Work-in-progress	63
Finished goods	430
Stock - 31.12.19X2	
Raw material	100
Work-in-progress	43
Finished goods	390
Raw materials purchase	820
Direct wages	400
Selling and distribution expenses	214
Bad debts	6
Sales	2,200

38. Prime cost is:

(a) £1,220.

(b) £ 800.

(c) £1,200.

(d) £1,414.

39. Cost of goods manufactured is:

(a) £1,200.

(b) £1,414.

(c) £1,220.

(d) £1,460

40. Cost of goods sold is:

(a) £1,410.

(b) £1,240.

(c) £1,260.

(d) £ 960

41 The correction of errors will initially be recorded in which of the following?

(a) Nominal ledger.

(b) Trial balance.

(c) Debtors or Creditors ledgers.

(d) General Journal.

42. Journal entries will always have:

(a) A supporting cheque stubb.

(b) A cash receipts voucher.

(c) A supporting entry in the debtors or creditors ledger.

(d) A narrative explaining the nature of the transaction or event.

43. The purchase of a fixed asset was incorrectly debited to the purchases account. This represents: (a) An error of omission.

(b) An error of commission.

(c) An error of principle.

(d) A compensating error.

44. Which of the following errors will be highlighted by the trial balance?

(a) Sale proceeds of fixed asset credited to sales account.

(b) Wage's expense debited to sales account.

(c) Incorrectly totalling the sales account.

(d) Completely omitting a sales transaction from the books.

45. An adjustment for prepaid rates was ignored when preparing the financial statements of a company. As a result:

(a) Both profit and net assets are overstated.

(b) Both net profit and net assets are understated.

(c) Net profit is understated and net assets are overstated.

(d) Net profit is overstated and net assets are understated.

46. If discount received in the amount of £50 was debited to the discount allowed account, then the net profit figure would be:

- (a) £50 too much.
- (b) £50 too little.
- (c) £100 too little.
- (d) £100 too much.

47. Stock withdrawn by the proprietor in the amount of £250 was not recorded. As a result, the net profit is:

- (a) Overstated by £250.
- (b) Understated by £250.
- (c) Understated by £500.
- (d) Overstated by £500

48. A bad debt recovered was incorrectly credited to the debtors control account. As a result:

- (a) Net profit and debtors are overstated.
- (b) Net profit and debtors are understated.
- (c) Net profit is understated and debtors are overstated.
- (d) Net profit is overstated and debtors are understated.

49. If the purchase of a fixed asset was debited to the purchases account, then:

- (a) Net profit would be overstated
- (b) Net profit would be understated.
- (c) Fixed assets would be overstated.
- (d) Capital would be overstated. Question 3.

50. Which of the following is prepared on the basis of Trial Balance –

- (a) Journal
- (b) Ledger
- (c) Final Accounts
- (d) None of these.

51. The error which can be disclosed by Trial balance-

- (a) Error of omission
- (b) Error of principal
- (c) Compensatory error
- (d) None of these.

52. Errors are rectified in this book-

- (a) Ledger book
- (b) Journal proper
- (c) Trial balance
- (d) None of these.

53. Errors Committed by omitting entries in the Journal book is called –

- (a) Error of commission
- (b) Error of principle
- (c) Error of omission
- (d) None of these.

54. Errors committed due to lack of basic principle of Accounting are called

- (a) Compensating errors
- (b) Error of principle
- (c) Single sided error
- (d) None of these

55. The balance sheet is intended to show:

- (a) The nature of the business.
- (b) The ownership of the business.
- (c) The financial position of the business.
- (d) The size of the business

56 Which of the following will not affect the trading account?

- (a) Purchase of a motor vehicle for re-sale.
- (b) Carriage in on motor vehicle for re-sale.
- (c) Duty on motor vehicle for re-sale.
- (d) Purchase of a motor vehicle for use in the business.

57 Bad debts are -

- (a) Expenses
- (b) Asset
- (c) Liability
- (d) Income

58 Which of the following would appear in manufacturing account?

- (a) Land and building



- (b) Carriage inwards
- (c) Debtors
- (d) Capital

59. which of the following errors does not affect the agreement of the trial balance

- (a) Single entry
- (b) Wrong totaling of a special journal
- (c) Posting of wrong figure to a particular account
- (d) Complete reversal of entry

60. which of the following is the odd one

- (a) The choice of straight-line method
- (b) The cost of the asset
- (c) The estimated useful life of the asset
- (d) The residual value of the asset

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