

TOPIC 1**BASIC ACCOUNTING CONCEPTS****QUESTION 1****(MULTIPLE CHOICE)**

Choose the correct answer from the options provided and indicate it on the table in the answer book.

1. Which one of the following will **not** be found in the general ledger?

- a) Capital
- b) Cash receipts journal
- c) Sales
- d) Trading stock

2. Which one of the following will **not** be found in the nominal accounts section of the general ledger?

- a) Sales
- b) Equipment
- c) Stationery
- d) Insurance

3. Fixed assets are purchased for:

- a) The purpose of resale.
- b) Resale after several years.
- c) Use in the business.
- d) Something else.

4. Which of the following balances will **not** appear in the statement of financial position?

- a) Land and building
- b) Bank
- c) Services rendered
- d) Capital

5. Which of the following balances will **not** be found in the statement of comprehensive income?

- a) current income
- b) rent expense
- c) salary of manager
- d) drawings

6. A credit balance is decreased by:

- a) a debit entry.
- b) a credit entry.
- c) both credit and debit entries.
- d) none of these.

7. An account with a credit entry of R100 and a debit entry of R100 has a _____ balance.

- debit
- credit
- debit or credit
- nil

8. An account with a debit entry of R200 and a credit entry of R50 has a _____ balance of R150.

- debit
- credit
- debit or credit
- not possible to answer

9. Assets less liabilities equals:

- current liabilities.
- capital.
- liabilities.
- equity.

10. If a business possesses R4 000 cash, creditors of R500 and land and buildings to the value of R15 000, the owner's equity:

- cannot be calculated.
- is R10 500.
- is R15 000.
- is R18 500.

11. If a transaction is not recorded, it will have the following result on the trial balance at the end of the month:

- total of the debit column more than the credit column.
- total of the credit column more than the debit column.
- total will be the same.
- none of the above.

12. The source document(s) used when the owner increases his investment in the business by paying the money at the business, is/are:

- the receipt and deposit slip.
- bank statement.
- the cash register slip and deposit slip.
- the original invoice.

13. The source document used when rent income is paid in at the business, is:

- the receipt and deposit slip.
- bank statement.
- the cash register slip and deposit slip.
- the original invoice.

14. The source document used when services are rendered for cash and the money is paid in at the business, is:
- the receipt and deposit slip.
 - bank statement.
 - the cash register slip and deposit slip.
 - the original invoice.
15. Assts less equity equals:
- current liabilities.
 - capital.
 - liabilities.
 - current assets.

QUESTION 2

(TRUE OR FALSE)

Indicate whether the following statements are true or false.

- Every receipt affects the owner's equity in a business.
- Every EFT is an expense for the business.
- Stationery is an example of an expense.
- Income accounts are credited because income increases owner's equity.
- As the cash in a business decreases the owner's equity also decreases.
- An asset purchased on credit has no effect on the owner's equity.
- Expense accounts are debited because expenses decrease equity.
- Discount allowed is an expense.
- Drawings reduce equity.
- Consumable stores are an example of an asset.
- An asset purchased for cash has no effect on the owner's equity.
- Drawings is an expense for the business.
- Debtors are an income.
- Services rendered effects equity.
- Sales reduces equity.
- An EFT payment to a creditor decreases assets.
- Equipment purchased on credit reduce assets.
- It is possible for the Bank account to be an asset or a liability.
- When goods are sold on credit, it effects liabilities.
- Cost of sales decreases equity.

QUESTION 3

(CLASSIFICATION)

Analyse the following accounts according to the columns in the answer book.

- Land and buildings
- Wages
- Rent income
- Interest on loan
- Bank overdraft
- Drawings

- 7) Capital
- 8) Creditors
- 9) Debtors
- 10) Favourable bank balance
- 11) Trading stock
- 12) Petty cash
- 13) Equipment
- 14) Loan
- 15) Cash float
- 16) Fixed deposit
- 17) Services rendered
- 18) Stationery
- 19) Insurance
- 20) Sales

QUESTION 4

(CLASSIFICATION)

Classify the following as Owner's equity, non-current assets, non-current liabilities, current assets, current liabilities, income, or expense. Only write the answer on the answer page.

1. Wages
2. Consumable stores
3. Bank – Unfavourable
4. Insurance
5. Commission income
6. Fixed deposit
7. Mortgage loan
8. Petty cash
9. Furniture
10. Cost of sales
11. Advertisements
12. Rent income
13. Fuel
14. Equipment
15. Capital
16. Stationery
17. Services rendered
18. Sales
19. Drawings
20. Interest on fixed deposit