

# LGS Paragon

**Subject : Accounting**

**Grade : X**

**Marks: 25**

1. Which of the following costs would be classified as capital expenditure for a restaurant?
  - A forks and knives for the restaurant
  - B an illuminated sign advertising the business name
  - C repainting the restaurant
  - D replacement for a broken window
  
2. Which of the following is a revenue expense?
  - A renovation of a machine to increase its capacity
  - B loan repayment
  - C repair to a machine
  - D training course
  
3. Which of the following is an item of capital expenditure?
  - A repairs to an office table.
  - B depreciation of the furniture in the managing director office.
  - C refurbishment of the reception area in an office.
  - D white wash to the chief-executive office.
  
4. Which of the following is a capital expenditure?
  - A purchase of cars by a car-showroom
  - B purchase of buildings by a Real-Estate agency
  - C purchase of furniture by a furniture shop
  - D purchase of furniture by a furniture shop for its chief-executive office
  
5. It is necessary to distinguish between revenue and capital expenditures. When must this distinction be made?
  - A when preparing cash budgets
  - B when preparing investment appraisal calculations
  - C when preparing Financial Statements
  - D when preparing purchase ledger control accounts
  
6. Which of the following is a revenue expense?
  - A acquisition of another business.
  - B auditor's fees
  - C legal expenses on purchase of property
  - D purchase of premises
  
7. Which payment should be treated as revenue expenditure in the accounts of a hotel?
  - A installation cost of a new alarm
  - B legal fees for debt collection
  - C legal fees incurred in the purchase of the hotel
  - D purchase of computer

8. On 1 January 2001 a second-hand truck was bought for \$ 15 000. It was discovered on the date of purchase that the truck's engine did not work. The table shows work subsequently carried out on the truck.

Date	Work	Cost(\$)
3 January 2001	Engine replaced	8 500
15 January 2001	Shelving fitted	2 100
10 October 2001	Gear box replaced	1 800

- How much should be debited to the truck account?
- A** \$ 15 000  
**B** \$ 17 100  
**C** \$ 25 600  
**D** \$ 27 400
9. What is an example of capital expenditure?  
**A** payment of an electricity bill  
**B** payment of employee's wages  
**C** purchase of a brand name  
**D** purchase of Inventories
10. Which of the following is an item of revenue expenditure?  
**A** dividends paid  
**B** payments for major building improvements  
**C** purchase of machinery  
**D** rent paid
11. A business receives rent for letting premises. How is this rent classified?  
**A** capital expenditure  
**B** capital income  
**C** revenue expenditure  
**D** revenue income
12. A garage business buys a motor van that will be used for business purposes only. Which account in the general ledger will contain this transaction?  
**A** capital  
**B** motor expenses  
**C** motor vehicles  
**D** purchases
13. Which item should be treated as capital expenditure in the accounts of a company?  
**A** legal costs for the purchase of property  
**B** purchase of a new computer for re-sale  
**C** renewing the electrical wiring in the office  
**D** repairs to plant and machinery
14. X is a trader in office machinery. On 31 March he purchases an office machine on credit from Y. Which sections will increase on X's Statement of Financial Position on 31 March?  
**A** current assets only  
**B** current assets and current liabilities  
**C** Non current assets only  
**D** Non current assets and current liabilities
15. Which item is capital income?  
**A** cash received from the sale of office equipment  
**B** cheque received from the sale of Inventories  
**C** discount received from trade creditors  
**D** rent received from tenants

16. Susan owes a business \$100. The business is not sure if Susan will pay. Which ledger entries should the business make?

	Debit	Credit
<b>A</b>	Bad Debts account	Susan's account
<b>B</b>	Income Statement	Bad Debts account
<b>C</b>	Income Statement	Provision for Doubtful Debts
<b>D</b>	Provision for Doubtful Debts	Susan's account

17. Winston decides to write off a debt due to him from Leroy for goods sold on credit. Which general journal entry records this?

	Account debited	Account credited
<b>A</b>	Bad debts	Sales
<b>B</b>	Bad debts	Leroy
<b>C</b>	Sales	Bad debts
<b>D</b>	Leroy	Bad debts

18. Which accounting entry is made to decrease a provision for doubtful debts?

	Account debited	Account credited
<b>A</b>	Trade Receivables	Provision for doubtful debts
<b>B</b>	Provision for doubtful debts	Trade Receivables
<b>C</b>	Income statement	Provision for doubtful debts
<b>D</b>	Provision for doubtful debts	Income statement

19. Creation of provision for bad debts is most closely related to which of the following concepts?

- A** accrual
- B** matching
- C** prudence
- D** substance over form

20. To reduce a provision amount made for bad debts, one should

- A** debit Income Statement, credit bad debts provision account
- B** debit Trade Receivables account, credit bad debt provision account
- C** debit bad debt provision account, credit Trade Receivables account
- D** debit bad debts provision account, credit Income Statement

21. A Trial Balance showed:

	\$
Trade Receivables	25 000
Provisions for Bad Debts	1 100

The Provision is to be maintained at 5% of Trade Receivables.

How would the Provision be shown in the Statement of Financial Position ?

- A** a liability of \$1 100
- B** a deduction from Trade Receivables of \$1 100
- C** a liability of \$1 250
- D** a deduction from Trade Receivables of \$1 250

22. How is the balance of the Bad Debts account treated at the end of the financial year?

- A** It is credited in the Income Statement.
- B** It is debited in the Income Statement.
- C** It is deducted from Trade Receivables in the Statement of Financial Position.
- D** It is deducted from Revenues in the Trading Account.

23. A sole trade writes off a bad debt. What will be the effect of this on the Statement of Financial Position ?

- A** Owner's Equity reduced and assets reduced
- B** liabilities increased and assets reduced
- C** liabilities reduced and assets increased
- D** no effect on assets or liabilities

24. A company increases its provision for bad debts by \$400 from \$1200 to \$1600. What will be the effect of this adjustment on the year-end Statement of Financial Position?
- |          | Net profit         | Net Trade Receivables |
|----------|--------------------|-----------------------|
| <b>A</b> | decrease by \$1600 | decrease by \$1600    |
| <b>B</b> | decrease by \$400  | decrease by \$1600    |
| <b>C</b> | decrease by \$400  | decrease by \$400     |
| <b>D</b> | decrease by \$1600 | decrease by \$400     |
25. At the end of its financial year a business had Trade Receivables of \$16 000 and a Provision for Doubtful Debts of \$640. The provision is to be maintained at 5% of Trade Receivables. What entry is made in the Income Statement?
- A** \$160 credit
  - B** \$160 debit
  - C** \$800 credit
  - D** \$800 debit