1. Below, you will find a list of businesses. Which one qualifies to be classified as a trading business?
   A. Model Pick and Pay
   B. Nampa Hairdressing
   C. Osona Military Base
   D. Quick Fix Garage

2. What is the best definition for a transaction?
   A. A nurse who takes care of the sick.
   B. An action between two parties, a buyer and a seller.
   C. Exchange of goods for other goods or items.
   D. Someone who buys cash from a business.

3. The following are assets to a business:
   A. Bank and Premises/Land and Buildings
   B. Creditors and Sales
   C. Loans and Debtors
   D. Wages and Petty Cash

4. Which one of the following is not a current asset?
   A. Accrued Income
   B. Equipment
   C. Sales Ledger Control
   D. Stock

5. Which of the following is a current liability?
   A. Purchases
   B. Rent Income Accrued
   C. Sales
   D. Wages Accrued

6. Choose the one you consider an example of an income.
   A. Discount Allowed
   B. Discount Received
   C. Rent Paid
   D. Water and Electricity
7 Which account will be opened in the Nominal Account Section?
   A Capital
   B Drawings
   C Purchases Ledger Control
   D Stationery

8 The table shows information from the Balance Sheet of a business.

<table>
<thead>
<tr>
<th></th>
<th>N$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock (31/10/2006)</td>
<td>2 500,00</td>
</tr>
<tr>
<td>Debtors</td>
<td>1 250,00</td>
</tr>
<tr>
<td>Creditors</td>
<td>3 125,00</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>625,00</td>
</tr>
<tr>
<td>Cash</td>
<td>3 750,00</td>
</tr>
<tr>
<td>Bank (overdraft)</td>
<td>1 875,00</td>
</tr>
</tbody>
</table>

What is the amount of working capital?
   A N$5 000,00
   B N$3 125,00
   C N$11 125,00
   D N$8 125,00

9 When the imprest amount of a Petty Cash Book is restored, the source document used is a
   A cheque counterfoil.
   B credit note.
   C deposit slip.
   D receipt.

10 The petty cashier of Auas started a petty cash with an imprest amount of N$350,00 on 1 July. During that month she received a further amount of N$65,00. Calculate the amount she will need to restore the imprest of N$350,00 after having a total expense bill of N$377,00.
   A N$312,00
   B N$38,00
   C N$415,00
   D N$377,00
11 The following amounts appeared in a fixed asset account.

<table>
<thead>
<tr>
<th>Dr</th>
<th>Fixed Asset</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 500,00</td>
<td></td>
<td>520,00</td>
</tr>
<tr>
<td>700,00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The balance of this account in the Trial Balance will be:

A  Dr. N$3 680,00  
B  Dr. N$4 720,00  
C  Cr. N$3 680,00  
D  Cr. N$4 720,00  

12 Which one of the following statements is true for the format of a T-account?

A  A credit side on the left-hand side.  
B  A credit side with no entries.  
C  A debit side on the left-hand side.  
D  Only entries on the debit side.  

13 Which of the following is needed to prepare a Trial Balance?

A  Balance and totals of Purchases and Sales Ledgers.  
B  Balance and totals of the Cash Book only.  
C  Balance and totals in the General Ledger.  
D  Balance and totals in the General Ledger, the Cash Book, Sales and Purchases Ledgers.  

14 When the owner draws money from the business's bank account for his personal use, the following source document will be used:

A  a cheque.  
B  cheque counterfoil.  
C  drawing voucher.  
D  receipt.  

15 A net loss in any business is experienced when

A  expenses exceed the income.  
B  final stock exceeds sales.  
C  final stock is less than sales.  
D  purchases exceed sales.  

16 A supplier gives (offers) a 6,3 % trade discount to the traders purchasing from him. How much discount will the trader get on goods invoiced at N$3 910,00?

A  N$332,46  
B  N$246,33  
C  N$642,33  
D  N$323,64
17 A business offers 4% cash discount on accounts paid within one month of sales. A debtor, Frieda Amukwa, pays her account of N$4 500,00 within one month in cash. Which amount will be entered in the cash column in the Cash Book?

A) N$4 320,00  
B) N$2 430,00  
C) N$4 230,00  
D) N$3 240,00

18 The double entry in the General Ledger for the discount allowed to Frieda Amukwa according to question 17 will be:

<table>
<thead>
<tr>
<th>Account Debited</th>
<th>Account Credited</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Cash</td>
<td>Sales Ledger Control</td>
</tr>
<tr>
<td>B Discount Allowed</td>
<td>Sales Ledger Control</td>
</tr>
<tr>
<td>C Sales Ledger Control</td>
<td>Cash</td>
</tr>
<tr>
<td>D Sales Ledger Control</td>
<td>Discount Allowed</td>
</tr>
</tbody>
</table>

19 There was only one entry in the Purchases Returns Journal of a business, after selling goods on credit to Okazize Traders. This information must be recorded in the ledgers of that business.

<table>
<thead>
<tr>
<th>Account debited in General Ledger</th>
<th>Account Credited in General Ledger</th>
<th>Entry in account of Okazize Traders in Purchases Ledger</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Purchases Ledger Control</td>
<td>Purchases Returns</td>
<td>On credit side</td>
</tr>
<tr>
<td>B Purchases Ledger Control</td>
<td>Purchases Returns</td>
<td>On debit side</td>
</tr>
<tr>
<td>C Purchases Returns</td>
<td>Purchases Ledger Control</td>
<td>On debit side</td>
</tr>
<tr>
<td>D Purchases Returns</td>
<td>Purchases Ledger Control</td>
<td>On credit side</td>
</tr>
</tbody>
</table>

20 The owner of a business increases her capital contribution by depositing an additional amount into the bank account of the business. What is the effect of the transaction on the accounting equation?

<table>
<thead>
<tr>
<th>A</th>
<th>OE</th>
<th>L</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>+</td>
<td>0</td>
</tr>
<tr>
<td>B</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>C</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>D</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

21 The owner paid for advertisements for his new business by cheque. What is the effect of this transaction on the accounting equation?

A) Decrease assets and increase liabilities.  
B) Decrease assets and decrease Owner’s Equity.  
C) Increase assets and decrease Owner’s Equity.  
D) Increase Owner’s Equity and increase liabilities.
22 The business bought a new car on credit from Pick-a-Car. What is the effect of this transaction on the accounting equation?

A. Increase assets and decrease assets.
B. Increase assets and decrease Owner’s Equity.
C. Increase assets and increase liabilities.
D. Increase Owner’s Equity and increase liabilities.

23 A business sold goods for cash. How will this transaction influence the accounting equation?

<table>
<thead>
<tr>
<th>A</th>
<th>OE</th>
<th>L</th>
</tr>
</thead>
<tbody>
<tr>
<td>+</td>
<td>+</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>±</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>+</td>
<td>0</td>
<td>+</td>
</tr>
</tbody>
</table>

24 The total amount of fixed assets is N$55 000,00 and the total amount for working capital is N$13 750,00. What will the total amount for Capital Employed be?

A. N$58 670,00
B. N$65 870,00
C. N$68 750,00
D. N$78 650,00

25 Which one of the following is not a bank charge?

A. Cash handling fees
B. Cheque books
C. Credit card levies
D. Interest on overdraft

26 Choose the item which will appear on the credit side of the Cash Book of a business which might not occur on the bank statement.

A. Cheques drawn but not presented for payment.
B. Deposits made but not yet entered in the bank statement.
C. Rent Income received.
D. Sales.

27 Net wage is the amount

A. calculated for overtime work.
B. deducted from the wage of a worker.
C. paid out to a worker.
D. that the worker agreed to work for.
28 Which one of the following will be an advantage of using a computer in your business?
   A  Information does not flow smoothly.
   B  More operators are needed.
   C  One does not need to be trained.
   D  Work is completed in a shorter period of time.

29 One can use a computer to maintain a continuous balance method of stock for every item stocked.
   This system is called:
   A  Final (Closing) stock method.
   B  Initial (Opening) stock method.
   C  Periodic stock method.
   D  Perpetual stock method.

30 The double entry for posting the total of the Social Security column from the Wages Journal will be:

<table>
<thead>
<tr>
<th>Account Debited</th>
<th>Account Credited</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Social Security</td>
</tr>
<tr>
<td>B</td>
<td>Bank</td>
</tr>
<tr>
<td>C</td>
<td>Wages</td>
</tr>
<tr>
<td>D</td>
<td>Bank</td>
</tr>
</tbody>
</table>

31 Wages paid is an
   A  Asset.
   B  Expense.
   C  Income.
   D  Owner’s Equity.

32 The term *liquidity* means
   A  the ability of a business to meet its short-term liabilities.
   B  the financial position of a business.
   C  the financial results of a business.
   D  the total current assets less the total of current liabilities.
33 Use the information below to calculate:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>22 000,00</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>12 000,00</td>
</tr>
<tr>
<td>Initial Stock</td>
<td>9 000,00</td>
</tr>
<tr>
<td>Purchases</td>
<td>10 000,00</td>
</tr>
<tr>
<td>Final Stock</td>
<td>7 000,00</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>10 000,00</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>8 500,00</td>
</tr>
<tr>
<td>Net Profit</td>
<td>7 500,00</td>
</tr>
</tbody>
</table>

the percentage of gross profit on turnover.

A 54,55 %  
B 45,45 %  
C 83,33 %  
D 38,6 %

34 Using the information in question 33, calculate the percentage net profit on turnover.

A 31,8 %  
B 38,6 %  
C 45,45 %  
D 34,1 %

35 The following will appear as a current asset in the Balance Sheet.

A Bank overdraft  
B Income Received in Advance  
C Prepaid Expenses  
D Short-term loan

36 A Trading and Profit and Loss account is drawn up to calculate

A amount owed to creditors.  
B owner’s equity.  
C profits or losses made.  
D total income and expenses.
37  A Balance Sheet showed the following totals:

<table>
<thead>
<tr>
<th></th>
<th>N$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner’s Equity</td>
<td>82 040,00</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>80 000,00</td>
</tr>
<tr>
<td>Current Assets</td>
<td>21 661,00</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>12 531,00</td>
</tr>
</tbody>
</table>

Calculate the solvency ratio of the said business.

A  0,9 : 1  
B  1,7 : 1  
C  8,1 : 1  
D  6,4 : 1  

38  Using the information in question 37 calculate the current ratio.

A  8 : 1  
B  1 : 8  
C  1 : 1,7  
D  1,7 : 1  

39  When calculating the return on Owner’s Equity one wants to establish

A  liquidity.  
B  net profit.  
C  profitability.  
D  solvency.  

40  If a customer returns goods which he bought on credit due to damages to these goods, the double entry will be:

A  debit Cash, credit Sales Returns  
B  debit Sales, credit Sales Returns  
C  debit Sales Returns, credit Cash  
D  debit Sales Returns, credit Sales Ledger Control  

**TOTAL: 40**