

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/01**

Paper 1 Multiple Choice

May/June 2004

**1 hour**

Additional Materials: Multiple Choice Answer Sheet  
Soft clean eraser  
Soft pencil (type B or HB is recommended)

**READ THESE INSTRUCTIONS FIRST**

Write in soft pencil.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Write your name, Centre number and candidate number on the answer sheet in the spaces provided unless this has been done for you.

There are **forty** questions on this paper. Answer **all** questions. For each question there are four possible answers **A, B, C, and D**.

Choose the **one** you consider correct and record your choice in **soft pencil** on the separate answer sheet.

**Read the instructions on the answer sheet very carefully.**

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.

Any rough working should be done in this booklet.

Calculators may be used.

This document consists of **11** printed pages and **1** blank page.



1 Businesses use financial records to prepare final accounts.

Which record is used in the preparation of the Balance Sheet?

- A bank statement
- B cash book
- C purchases journal
- D sales journal

2 What is calculated in a Trading Account?

- A closing stock
- B gross profit
- C net profit
- D sales

3 Which is a current liability?

- A capital
- B creditors
- C debtors
- D stock

4 Which would appear in a Balance Sheet?

- A closing stock
- B cost of sales
- C opening stock
- D sales

- 5 A business provides the following information.

	\$
sales	10 000
purchases	8 000
opening stock	1 000
closing stock	1 500
sales returns	200
purchases returns	300

What is the cost of sales?

- A** \$2000      **B** \$2100      **C** \$7200      **D** \$8200
- 6 Employees' skills are not recorded in the books of account.  
Which accounting principle is involved?
- A** consistency  
**B** money measurement  
**C** prudence  
**D** realisation
- 7 A business decides to use the same depreciation method every year.  
Which accounting principle is the business following?
- A** consistency  
**B** duality  
**C** matching  
**D** prudence
- 8 A business charges \$1500 to its Profit and Loss Account for electricity. This includes \$200 for an electricity bill that is outstanding at the year end.  
Which accounting principle has been applied?
- A** duality  
**B** matching  
**C** prudence  
**D** realisation

- 9 A retailer's capital is \$40 000. The following payments are made from the business bank account.

\$5000 for extension to the retailer's shop

\$2000 for purchase of television for retailer's private house

How much is the retailer's capital now?

- A** \$33 000      **B** \$35 000      **C** \$38 000      **D** \$45 000
- 10 A supplier overcharges a customer for goods supplied on credit.  
Which document will the supplier issue to the customer?
- A** credit note  
**B** debit note  
**C** sales invoice  
**D** statement
- 11 In which book of prime (original) entry is the sale of a fixed asset on credit recorded?
- A** cash book  
**B** journal  
**C** sales journal  
**D** sales returns journal
- 12 Sam uses the imprest system of petty cash. The imprest amount is \$300, which is restored at the end of each month.

The following takes place in March.

	receipts \$	payments \$
March 8 Postage stamps		50
10 Refreshments		62
11 Flowers		20
15 Stationery		17
20 Stamps sold to employees	10	
27 Sam's travelling expenses		135

How much will the petty cashier receive from the cashier on 1 April?

- A** \$274      **B** \$284      **C** \$294      **D** \$300

13 Sara's sales journal includes the following entry.

date	name	amount \$
April 1	Ali	350

To which accounts will this item be posted in Sara's ledger?

	account debited	account credited
<b>A</b>	Ali	cash
<b>B</b>	Ali	sales
<b>C</b>	cash	Ali
<b>D</b>	sales	Ali

14 The total of David's purchases journal and purchase returns journal for April showed the following.

	\$
purchases journal	10 000
purchase returns journal	900

How are these posted to David's ledger?

	purchases account		purchase returns account	
		\$		\$
<b>A</b>	credit	10 000	debit	900
<b>B</b>	debit	10 000	credit	900
<b>C</b>	debit	10 900		–
<b>D</b>		–	credit	9100

15 Where are suppliers' accounts found in a trader's accounting records?

- A** purchases journal
- B** purchases ledger
- C** sales journal
- D** sales ledger

**16** Purchase of a new computer has been posted to the repairs account in error.

What type of error is this?

- A** commission
- B** complete reversal of entries
- C** original entry
- D** principle

**17** Which is an error of omission?

- A** No entry has been made for the purchase of stationery by cheque.
- B** Purchase of stationery has been entered only in the cash book.
- C** Purchase of stationery has been entered only in the stationery account.
- D** The stationery account has been missed out of the trial balance.

**18** When is a suspense account opened?

- A** when a Balance Sheet fails to balance
- B** when a trial balance fails to balance
- C** when an error of omission is corrected
- D** when an error of principle is corrected

**19** Rent received, \$100, has been debited to rent paid account and credited to cash account.

What is the correcting journal entry?

	account debited		account credited	
		\$		\$
<b>A</b>	cash	100	rent received	100
<b>B</b>	cash	200	rent paid	100
			rent received	100
<b>C</b>	rent received	100	cash	200
	rent paid	100		
<b>D</b>	rent paid	100	rent received	100

**20** A business receives a bank statement and updates its cash book.

Which item will increase the bank balance in the cash book?

- A** bank charges
- B** credit transfers received
- C** interest charges
- D** standing orders paid

**21** The following information is available at the end of the month.

	\$
bank statement balance	7000 credit
cash book balance	6000 debit
unpresented cheques	1200

What is the value of receipts in the cash book which have not yet appeared on the bank statement?

- A** \$200                      **B** \$1000                      **C** \$2200                      **D** \$4800

**22** It is important to match a business's expenses to the appropriate accounting period.

Why is this?

- A** The business needs to pay the correct amount of expenses.
- B** To calculate the correct profit or loss for the period.
- C** To calculate unpaid expenses for the period.
- D** Unpaid expenses cannot be carried forward to next year.

**23** A business's financial year ends on 30 September. On 1 July 2003 \$200 was paid for insurance for six months to 31 December.

What is the correct entry in the Balance Sheet on 30 September 2003?

- A** an accrual of \$100
- B** a prepayment of \$100
- C** an accrual of \$200
- D** a prepayment of \$200

**24** Tara paid \$35 to Zaki for rebuilding a damaged wall at her factory.

To which account will Tara post this?

- A** improvement to buildings
- B** land and buildings
- C** purchases
- D** repairs and maintenance

**25** The following is a list of a builder's expenditure for the year.

	\$
motor vehicle	10 000
purchases	25 000
wages	20 000
rent of offices	6 000
machinery	7 000
petrol	3 000

What is the amount of capital expenditure?

- A** \$10 000
- B** \$17 000
- C** \$54 000
- D** \$71 000

**26** A sole trader has omitted depreciation from his final accounts.

What are the effects on the Balance Sheet?

	fixed assets	net profit
<b>A</b>	overstated	overstated
<b>B</b>	overstated	understated
<b>C</b>	understated	overstated
<b>D</b>	understated	understated

**27** An office machine cost \$8500 and is estimated to have a useful life of four years. Its scrap value at the end of this time is estimated at \$1000.

What is the annual charge for depreciation using the straight-line method?

- A** \$1000
- B** \$1875
- C** \$2125
- D** \$2375



28 What appears in both the Profit and Loss Account and the Balance Sheet of a sole trader?

- A bank balance
- B creditors
- C net profit
- D sales

29 A sole trader depreciates his motor vehicles at 25% per annum on a reducing balance basis.

The vehicles cost \$16 000 at 1 January Year 1.

What is the depreciation for Year 2?

- A \$3000
- B \$4000
- C \$7000
- D \$8000

30 The following information is extracted from the rent account of a business.

	\$
owing at 1 January 2003	400
rent paid in year ended 31 December 2003	1700
rent paid in advance at 31 December 2003	250

How much rent was payable for the year ended 31 December 2003?

- A \$1050
- B \$1550
- C \$1850
- D \$2350

31 Where is interest on partners' capital shown in the partnership final accounts?

- A Appropriation Account
- B Cash Book
- C Profit and Loss Account
- D Trading Account

32 Mary and Jane are in partnership sharing profits and losses in the proportions Mary  $\frac{2}{3}$ , Jane  $\frac{1}{3}$ .

They have agreed that Mary will receive an annual salary of \$9000.

Net profit for the year was \$24 000.

What is Jane's share of the profit for the year?

- A \$5000
- B \$8000
- C \$10 000
- D \$16 000

33 A business provides the following information.

	\$
capital 1 January 2003	60 000
drawings during the year	40 000
capital introduced during the year	10 000
capital 31 December 2003	80 000

What is the profit for the year?

- A** \$10 000      **B** \$20 000      **C** \$50 000      **D** \$70 000

34 A business has not kept full accounting records.

Which formula is used to calculate the credit sales?

- A** amounts received + closing debtors + discounts allowed – opening debtors  
**B** closing debtors – amounts received + opening debtors + discounts allowed  
**C** amounts received + closing debtors – opening debtors  
**D** closing debtors – amounts received + opening debtors

35 How is working capital calculated?

- A** current assets – current liabilities  
**B** fixed assets – current liabilities  
**C** owners capital – current liabilities  
**D** total assets – current liabilities

36 Which is a measure of profitability?

- A** current ratio  
**B** quick ratio  
**C** rate of stock turnover  
**D** return on capital employed

37 The balance sheet of a business includes the following.

	\$
debtors	10 000
creditors	14 000
bank overdraft	6 000
stock	15 000

What is the quick ratio?

- A** 0.50:1      **B** 0.71:1      **C** 1.14:1      **D** 1.25:1

38 Which shows how well a business controls its expenses?

- A** current ratio  
**B** percentage of gross profit to sales  
**C** percentage of net profit to sales  
**D** rate of stock turnover

39 How is the profit as a percentage of the capital employed calculated?

- A**  $\frac{\text{gross profit}}{\text{assets}} \times 100\%$   
**B**  $\frac{\text{net profit}}{\text{assets}} \times 100\%$   
**C**  $\frac{\text{gross profit}}{\text{capital}} \times 100\%$   
**D**  $\frac{\text{net profit}}{\text{capital}} \times 100\%$

40 The quick ratio of Eric is 1.3:1, the quick ratio of Ken is 0.4:1.

What does a comparison of these ratios show?

- A** Eric controls his overhead expenses better than Ken  
**B** Eric's cost of sales is lower than Ken's  
**C** Ken has a lower return on capital employed than Eric  
**D** Ken has less liquidity than Eric

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