

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/01**

Paper 1 Multiple Choice

May/June 2005

**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 What are assets?
- A items that are expected to be turned into cash in the near future
  - B items that are owned by or owed to a business
  - C items that are owned by or owed by a business
  - D items that are purchased for long-term use by a business

- 2 A trader wishes to know the cost of goods sold during the year.

Which financial statement will provide the answer?

- A Balance Sheet
  - B Profit and Loss Account
  - C Trading Account
  - D Trial Balance
- 3 A business provides the following information for the year ended 30 September 2004.

	\$
sales	100 000
cost of goods sold	60 000
expenses	15 000

What is the net profit for the year ended 30 September 2004?

- A \$25 000      B \$40 000      C \$45 000      D \$55 000
- 4 A cheque paid to a creditor is entered in both the cash book and the creditor's account.
- Which accounting principle is being observed?
- A duality
  - B going concern
  - C matching
  - D realisation
- 5 What is meant by the consistency principle?
- A Accounts should normally be prepared on the same basis each year.
  - B Businesses must never change their year end.
  - C Net profit will always be the same each year.
  - D Similar businesses must treat similar items in the same way.

- 6 A trader purchased stock for \$4000. At the Balance Sheet date the stock had a realisable value of \$3000. The stock was shown in the Balance Sheet at \$3000.

Which accounting principle did the trader apply?

- A business entity  
 B money measurement  
 C prudence  
 D realisation
- 7 Which is an example of the application of the principle of prudence?
- A applying the same method of depreciation from year to year  
 B making an adjustment for prepaid expenses at the year end  
 C recognising a sale on credit  
 D taking account of any foreseeable losses
- 8 In March, Wahid had the following transactions with Yussuf, a new customer.

	\$
4 March Goods invoiced to Yussuf	2 400
16 March Credit note issued to Yussuf	300
23 March Goods invoiced to Yussuf	3 000
28 March Cheque received from Yussuf	2 100

How much does Yussuf owe Wahid on 31 March?

- A \$3000      B \$3300      C \$5100      D \$5700
- 9 What is cash discount?
- A an allowance given to a customer for paying in cash  
 B an allowance given to a customer for prompt payment  
 C a deduction from the list price of goods bought by a customer  
 D a deduction from the list price of goods for bulk buying by a customer

- 10 Fatima bought goods from Miriam at a total list price of \$2000. Miriam allows her customers trade discount of 10 % and cash discount of 2 %.

What was the amount of the invoice?

- A \$1760            B \$1764            C \$1800            D \$1960

- 11 How are sales returns recorded in the ledger?

	account to be debited	account to be credited
<b>A</b>	cash	sales returns
<b>B</b>	customer	sales returns
<b>C</b>	sales returns	cash
<b>D</b>	sales returns	customer

- 12 Udoka bought goods on credit from Francis, \$1000.

Udoka paid Francis by cheque after deducting 3 % cash discount.

Which entries record this payment in Udoka's books?

	account debited	\$	account credited	\$
<b>A</b>	bank	970	Francis	1 000
	discount allowed	30		
<b>B</b>	Francis	1 000	bank	970
			discount allowed	30
<b>C</b>	bank	970	Francis	1 000
	discount received	30		
<b>D</b>	Francis	1 000	bank	970
			discount received	30

- 13 Which account is contained in the sales (debtors) ledger?

- A customer's account  
 B sales account  
 C sales returns account  
 D supplier's account

14 What is the correct treatment of a sale on credit?

	general ledger	sales ledger
<b>A</b>	debit cash	credit sales
<b>B</b>	credit sales	debit cash
<b>C</b>	credit sales	debit debtor
<b>D</b>	debit debtor	credit sales

15 Why is a trial balance prepared?

- A** to calculate net profit
- B** to check the amount of the owner's capital
- C** to check the arithmetical accuracy of the double entry
- D** to find out how much is owed to creditors

16 Which error will affect the balancing of the trial balance?

- A** A cheque from Sam has been debited in the bank account but not entered in Sam's account.
- B** A cheque paid to Smith has been debited in Smythe's account.
- C** An invoice from a supplier has been lost and not recorded.
- D** A payment of rent was debited to the bank account and credited to the rent account.

17 A cheque for \$96 to Brown was entered into his account as \$69. When the trial balance was prepared the difference was entered into a suspense account.

Which entries are required to correct this error?

	account to be debited		account to be credited	
		\$		\$
<b>A</b>	Brown	27	suspense	27
<b>B</b>	Brown	54	suspense	54
<b>C</b>	Brown	69	suspense	69
<b>D</b>	Brown	96	suspense	96

- 18** A business prepares a bank reconciliation statement and starts with the balance as per the bank statement.

What is deducted from this balance in the bank reconciliation statement?

- A** amounts not yet credited by the bank
  - B** bank charges not recorded in the cash book
  - C** standing order paid by the bank but not entered in the cash book
  - D** unrepresented cheques
- 19** Business rates paid in advance are treated as a prepayment for the following accounting period.

Which accounting principle is being followed?

- A** consistency
- B** matching
- C** money measurement
- D** realisation

- 20** Amounts owed by a trader for electricity are given below.

	\$
1 January	2 000
31 December	2 500

The charge for electricity shown in the Profit and Loss Account for the year ended 31 December was \$15 500.

What was the amount paid for electricity during the year?

- A** \$15 000      **B** \$15 500      **C** \$16 000      **D** \$20 000
- 21** In his Profit and Loss Account X incorrectly included a prepayment of insurance of \$350 as an accrual.

How will this affect X's net profit?

- A** overstated by \$350
- B** overstated by \$700
- C** understated by \$350
- D** understated by \$700

- 22** Why does a business depreciate a fixed asset?
- A** to know the profit or loss on disposal
  - B** to know the value at the end of its useful life
  - C** to provide cash for its replacement
  - D** to spread the cost over its expected useful life
- 23** What is classed as revenue expenditure?
- A** cost of maintaining a fixed asset
  - B** cost of installing a new fixed asset
  - C** purchase of a fixed asset
  - D** legal costs for the purchase of a fixed asset
- 24** A trader has 1500 units of stock of which 50 units can only be sold for \$10 per unit.  
Each unit costs \$15 and the unit sale price is \$20.  
What is the value of the stock?
- A** \$22 250      **B** \$22 500      **C** \$29 000      **D** \$30 000
- 25** Y bought a machine for \$6000 and depreciated it at the rate of 20 % each year, using the reducing balance method.  
What is the total depreciation for years 1 and 2?
- A** \$1200      **B** \$1440      **C** \$2160      **D** \$2400
- 26** How is discount received shown in the final accounts of a sole trader?
- A** as an expense in the Profit and Loss Account
  - B** as income in the Profit and Loss Account
  - C** as an expense in the Trading Account
  - D** as income in the Trading Account

- 27 Leah sold goods to David in 2003. In April 2005 Leah had not received the amount due and decided to write David's debt off as bad.

What entries must Leah make to write off this bad debt?

	account to be debited	account to be credited
<b>A</b>	bad debts	David
<b>B</b>	David	bad debts
<b>C</b>	sales	bad debts
<b>D</b>	bad debts	sales

- 28 The purchase of fixtures and fittings has been mistakenly entered in the general expenses account.

What is the effect of this on the final accounts?

	Profit and Loss Account	Balance Sheet
<b>A</b>	profit understated	assets overstated
<b>B</b>	profit understated	assets understated
<b>C</b>	profit overstated	assets overstated
<b>D</b>	profit overstated	assets understated

- 29 At the end of the financial year a trader has prepaid rent.

What is the effect of the adjustments that the trader makes to her final accounts?

	Profit and Loss Account		Balance Sheet	
	increased expenses	decreased expenses	increased current assets	increased current liabilities
<b>A</b>		✓	✓	
<b>B</b>		✓		✓
<b>C</b>	✓			✓
<b>D</b>	✓		✓	



30 No adjustment was made for insurance prepaid at the end of the financial year.

What is the effect of this?

- A current liabilities overstated
- B current liabilities understated
- C net profit overstated
- D net profit understated

31 The table shows balances in the books of a business.

	\$
bank	1 100
creditors	1 500
debtors	3 000
stock	4 000

What is the working capital?

- A \$4100      B \$6600      C \$8100      D \$9600

32 In partnership accounts, which item appears in both the Profit and Loss Appropriation Account and in the partners' current accounts?

- A current account balances
- B drawings
- C interest on drawings
- D interest on loans

33 Janet and Lesley are partners and share profits equally. The net profit before appropriation was \$43 000.

Janet receives a salary of \$10 000 and interest on capital, \$1000. Lesley receives interest on capital, \$2000.

What is Janet's total income from the business?

- A \$15 000      B \$21 500      C \$26 000      D \$32 500

- 34** A trader does not keep proper accounting records. Her capital at the end of the financial year is higher than at the start. She has not introduced any further capital during the year.

What does this show?

- A** A net loss has been made during the year.
- B** Annual drawings are greater than the net profit.
- C** Assets less liabilities have reduced during the year.
- D** Net profit is greater than annual drawings.

- 35** The following figures are extracted from the Balance Sheet of X.

	\$
fixed assets	60 000
current assets	20 000
current liabilities	15 000
profit for year	12 000

What is X's opening capital?

- A** \$37 000
  - B** \$53 000
  - C** \$65 000
  - D** \$77 000
- 36** Ann owes Ken \$500 and pays this in cash.

How does this payment affect Ann's current assets and current liabilities?

	current assets	current liabilities
<b>A</b>	decrease	decrease
<b>B</b>	decrease	increase
<b>C</b>	increase	decrease
<b>D</b>	increase	increase

- 37** What is shown in a Balance Sheet as an asset?

- A** bank overdraft
- B** prepaid insurance premium
- C** rent received in advance
- D** staff bonuses due but unpaid

38 Which group contains only current assets?

A	B	C	D
bank (credit)	fixtures	bank (debit)	accrued expenses
cash	machinery	cash	bank (credit)
debtors	premises	debtors	creditors
prepaid expenses	vehicles	stock	loan

39 X provides the following information.

	\$
sales	150 000
cost of sales	90 000
closing stock	15 000

What is the percentage of gross profit to sales?

- A** 30%      **B** 40%      **C** 50%      **D** 60%

40 A sole trader compares his results with those of a similar business.

Which shows how well expenses are being controlled?

- A** bank balance  
**B** cost of sales  
**C** gross profit  
**D** net profit

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