

CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/01**

Paper 1 Multiple Choice

October/November 2003

**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 Why does the owner of a business calculate profit?
- A to reconcile the cash book balance with the balance on the bank statement
  - B to find out how much he owes to creditors
  - C to find out how much debtors owe him
  - D to know how much money may be taken as drawings without reducing capital
- 2 What does the owner of a business discover from the Profit and Loss Account?
- A bank account balance
  - B how much has been spent on fixed assets
  - C how much she withdrew from the business
  - D whether gross profit has exceeded expenses
- 3 Which is a business asset?
- A loan from a bank
  - B creditors
  - C debtors
  - D owner's capital
- 4 A business purchases a motor vehicle on credit. What is the effect of this?
- A It increases fixed assets.
  - B It increases owner's capital.
  - C It reduces net profit.
  - D It reduces the bank balance.

5 The following balances appear in Hussein's books.

	\$
Fixtures	6000
Stock	3300
Debtors	3000
Creditors	4500
Accruals	300
Prepayments	500
Loan to Imran	1000
Bank overdraft	1400

What is the total of the liabilities?

- A** \$4800      **B** \$6200      **C** \$6400      **D** \$7200

6 The owner of a business wishes to know the amount of her capital.

Which will provide this information?

- A** Balance Sheet  
**B** cash book  
**C** Profit and Loss Account  
**D** sales ledger

7 Which appears in a Balance Sheet of a sole trader?

- A** drawings  
**B** equipment repairs  
**C** gross profit  
**D** opening stock

- 8 X rents part of his premises to Y. At the end of X's financial year Y owes \$200 rent.

What adjustments should X make in preparing his final accounts?

- A** decrease expenses \$200 increase current liabilities \$200  
**B** decrease income \$200 increase current liabilities \$200  
**C** increase expenses \$200 increase current assets \$200  
**D** increase income \$200 increase current assets \$200
- 9 The owner of a business should not include his personal assets and liabilities in the business Balance Sheet.

Which accounting principle is being applied?

- A** business entity  
**B** consistency  
**C** money measurement  
**D** realisation
- 10 A business's expenses include \$300 for electricity used in the owner's home.

What adjustment is necessary?

	account debited		account credited	
<b>A</b>	electricity	\$300	Profit and Loss	\$300
<b>B</b>	Profit and Loss	\$300	electricity	\$300
<b>C</b>	drawings	\$300	electricity	\$300
<b>D</b>	electricity	\$300	drawings	\$300

- 11 What is meant by duality?
- A** Every entry in the cash book must have a corresponding entry in the bank statement.  
**B** For every debtor there must be a creditor.  
**C** There are two aspects to every transaction.  
**D** There are two sides to every Balance Sheet.

- 12 Which of the following should **not** be recorded in books of account?
- A canteen costs
  - B maintenance of office buildings
  - C wages of staff
  - D workers' skills
- 13 What is the use of a credit note?
- A It is received from a supplier and increases the amount owed to him.
  - B It is received from a supplier and reduces the amount owed to him.
  - C It is sent to a supplier and increases the amount owed to him.
  - D It is sent to a supplier and reduces the amount owed to him.
- 14 Starting with the first, in which sequence are documents used for the purchase of goods on credit?
- A cheque, invoice, order
  - B cheque, order, invoice
  - C order, invoice, cheque
  - D invoice, order, cheque
- 15 Henrick sent Jan an invoice for goods supplied on credit.
- In which of Jan's prime (original) entry books will the invoice be entered?
- A cash book
  - B journal
  - C purchases journal
  - D sales journal
- 16 What is another name for a copy of a customer's account in the sales ledger when it is sent to the customer?
- A credit note
  - B debit note
  - C invoice
  - D statement

- 17 Maria, a seller, allows cash discount to Sara. What is the double entry for this in Sara's ledger?

	account debited	account credited
<b>A</b>	cash	discount received
<b>B</b>	Maria	discount received
<b>C</b>	discount allowed	cash
<b>D</b>	discount allowed	Maria

- 18 The list price of a product is \$10 000 and a trade discount of 20% is offered to the customer.

The customer pays his invoice within 14 days and claims a cash discount of 5%.

How much is paid by the customer?

- A** \$7600      **B** \$8000      **C** \$8400      **D** \$9500
- 19 A trader keeps a full set of accounting records. Why should he prepare a trial balance?
- A** to calculate his capital  
**B** to calculate the net profit  
**C** to identify errors of omission  
**D** to check the arithmetical accuracy of the books
- 20 The purchase of a motor vehicle is posted to the Motor Expenses account.
- What type of error is this?
- A** commission  
**B** omission  
**C** original entry  
**D** principle
- 21 How would the balances of the Carriage Inwards and Carriage Outwards accounts be recorded in the trial balance?

	Carriage inwards	Carriage outwards
<b>A</b>	credit column	debit column
<b>B</b>	credit column	credit column
<b>C</b>	debit column	debit column
<b>D</b>	debit column	credit column

- 22 A trader purchased stationery for office use. This was entered in the ledger as purchase of goods for resale.

Which journal entry will correct this error?

	account debited	account credited
<b>A</b>	Purchases	Stationery
<b>B</b>	Stationery	Purchases
<b>C</b>	Stationery	Sales
<b>D</b>	Sales	Purchases

- 23 Sales returns of \$90 were incorrectly credited to the Sales Returns account. A Suspense account was opened as a result of this error.

Which journal entry will correct this error?

	account debited		account credited	
	\$		\$	
<b>A</b>	Sales Returns	90	Suspense	90
<b>B</b>	Suspense	90	Sales Returns	90
<b>C</b>	Sales Returns	180	Suspense	180
<b>D</b>	Suspense	180	Sales Returns	180

- 24 On 31 December, Z's bank statement shows a balance in hand of \$5500, and the cash book shows a balance in hand of \$5200. There is a receipt in the cash book of \$700 which does not appear on the bank statement.

What is the amount of unpresented cheques?

- A** \$300      **B** \$400      **C** \$700      **D** \$1000

- 25 A bank statement shows a balance of \$2104 (debit) at 30 June. The following items did not appear in the bank statement during the month although they were recorded in the books of account:

	\$
cheques issued	633
cheques deposited	921

What was the balance in the cash book at 30 June?

- A** \$1816 debit    **B** \$1816 credit    **C** \$2392 debit    **D** \$2392 credit

26 On 1 April 2001, a firm rented premises at a yearly rent of \$20 000 payable quarterly in arrears.

The following payments were made:

	\$
2001	
July	5000
October	5000
2002	
January	5000
April	5000

What was the figure for rent in the Profit and Loss Account for the year ended 31 December 2001?

- A** \$5000      **B** \$10 000      **C** \$15 000      **D** \$20 000

27 Which is capital expenditure for a business which sells computers?

- A** annual insurance premium  
**B** purchase of a new computer for the business  
**C** purchase of computers for resale  
**D** purchase of printer ink for the business

28 X deals in two products, A and B.

On 31 December stocks were as follows.

	Cost \$	Net realisable value \$
Product A	2000	1500
Product B	3500	3800

At what value should the total unsold stock be shown?

- A** \$5000      **B** \$5300      **C** \$5500      **D** \$5800



- 29 A business discovers that two errors have been made.

Office expenses paid were debited in the Office Equipment account.  
Purchase of a machine was debited in the Purchases account.

How do these errors affect the value of fixed assets shown in the Balance Sheet?

	office equipment	machinery
<b>A</b>	too high	too low
<b>B</b>	too low	too low
<b>C</b>	too high	too high
<b>D</b>	too low	too high

- 30 A business buys a machine for \$20 000. It will be used for 5 years and the estimated residual value is \$5000.

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

- A** \$1000      **B** \$3000      **C** \$4000      **D** \$5000

- 31 A computer system costing \$100 000 is bought on 31 December 2000. It is depreciated by the reducing balance method at 20% per annum.

What is the depreciation charge for the year ended 31 December 2002?

- A** \$16 000      **B** \$20 000      **C** \$36 000      **D** \$40 000

- 32 Why is depreciation entered in the Profit and Loss Account?

- A** to provide cash to replace assets when they are worn out  
**B** to show the assets in the Balance Sheet at their market values  
**C** to show when the assets need to be replaced  
**D** to spread the cost of the assets over their useful lives

- 33 A trader takes cash drawings from the business.

How will this affect the net profit and the current assets?

	net profit	current assets
<b>A</b>	increase	no effect
<b>B</b>	decrease	no effect
<b>C</b>	no effect	decrease
<b>D</b>	no effect	increase

34 The following information is available for a sole trader for the year ended 31 December 2002.

	\$
Sales in year	59 200
Stock at 1 January 2002	2 500
Stock at 31 December 2002	3 800
Purchases in year	28 600

What is the gross profit for the year?

- A** \$24 300      **B** \$29 300      **C** \$30 600      **D** \$31 900

35 What does the capital of a business equal?

- A** fixed assets + current assets + current liabilities  
**B** fixed assets + current assets – current liabilities  
**C** fixed assets – current assets – current liabilities  
**D** fixed assets – current assets + current liabilities

36 Joe and Paul are partners sharing profits in the ratio 3:2, after paying Paul an annual salary of \$15 000. For the year ended 31 March, the partnership's net profit was \$55 000.

How much was credited to Paul's current account for the year ended 31 March?

- A** \$15 000      **B** \$22 000      **C** \$31 000      **D** \$37 000

37 A business provided the following information.

	\$
Opening stock	2 000
Purchases	10 000
Closing Stock	4 000
Gross Profit	8 000

What were the sales?

- A** \$12 000      **B** \$16 000      **C** \$20 000      **D** \$24 000

38 A trader supplies the following information about his business.

	\$
capital at beginning of the year	30 000
capital at end of the year	50 000
drawings during the year	12 000
additional capital introduced during the year	18 000

What is the net profit for the year?

- A** \$12 000      **B** \$14 000      **C** \$20 000      **D** \$26 000

39 What has an effect on the amount of working capital?

- A** cheque received from a debtor  
**B** payment of a creditor by cash  
**C** purchase of equipment by cheque  
**D** purchase of stock by cash

40 The Trading Account of SB for the year ended 31 December was:

	\$		\$
Opening stock	10 000	Sales	60 000
Add purchases for year	<u>40 000</u>		
	50 000		
Less closing stock	<u>14 000</u>		
	36 000		
Gross profit	<u>24 000</u>		
	<u>60 000</u>		<u>60 000</u>

What is the rate of stock turnover?

- A** 1.5 times      **B** 2.5 times      **C** 3 times      **D** 5 times

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