



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING

0452/01

Paper 1 Multiple Choice

October/November 2007

1 hour

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

* 2 6 1 2 6 6 0 1 6 4 *

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 The owners of a business require a statement of the financial position of their business.

Which accounting statement will provide the necessary information?

- A balance sheet
- B capital account
- C cash book
- D profit and loss account

- 2 Why does the owner of a business need to know how much profit he has made?

- A to calculate interest payable on a bank loan
- B to calculate the cost of sales
- C to calculate the return on capital
- D to calculate total expenses

- 3 Which is an asset?

- A a credit balance on a supplier's account
- B a credit balance on the bank account
- C a debit balance on a customer's account
- D a debit balance on the drawings account

- 4 Which will appear in a profit and loss account?

- A bank account
- B bank charges
- C bank loan
- D bank overdraft

- 5 A trader provides the following information for the year ended 30 April 2007.

| | \$ |
|------------|--------|
| sales | 60 000 |
| expenses | 15 000 |
| net profit | 10 000 |

What is the cost of sales for the year ended 30 April 2007?

- A \$25 000
- B \$35 000
- C \$45 000
- D \$50 000

6 Jason, a sole trader, provides the following information.

| 2006 | | \$ |
|-------------|--|--------|
| 1 January | capital | 50 000 |
| 1 March | capital introduced in cash | 10 000 |
| 1 September | purchase of holiday home paid for from the business bank account | 20 000 |
| 31 December | net profit for the year | 15 000 |

What is Jason's capital on 31 December 2006?

- A** \$40 000 **B** \$45 000 **C** \$55 000 **D** \$65 000

7 Money received from a customer is recorded in the debtor's account and in the bank account.

Which accounting principle is being applied?

- A** business entity
B duality
C matching
D money measurement

8 Which describes the principle of consistency?

- A** Accounts should include all probable losses and should not anticipate profits.
B Accounts should only include items with a monetary value.
C Accounts should provide for all accruals and prepayments.
D Accounts should use the same methods from year to year.

9 'A business will continue to trade in the foreseeable future.'

Which accounting principle does this describe?

- A** going concern
B money measurement
C prudence
D realisation

10 Which business documents are used to write up the sales returns journal?

- A credit notes issued to customers
- B credit notes received from suppliers
- C invoices issued to customers
- D invoices received from suppliers

11 Melanie is a trader. She returns goods to her supplier.

Which document will Melanie send to her supplier?

- A credit note
- B debit note
- C invoice
- D statement

12 A trader's purchases on credit for April amounted to \$2000. These purchases were subject to a trade discount of 10 % and also a cash discount of 5 % if the accounts are paid within 30 days.

How much will be entered in the purchases journal?

- A \$1700 B \$1800 C \$1900 D \$2000

13 A food retailer purchases a motor vehicle on credit from Speedy Motors for \$10 000.

Which journal entry records this purchase in the books of the food retailer?

| | | debit \$ | credit \$ |
|----------|---------------------------------|-------------|--------------|
| A | motor vehicles Speedy Motors | 10 000 | 10 000 |
| B | purchases Speedy Motors | 10 000 | 10 000 |
| C | Speedy Motors motor vehicles | 10 000 | 10 000 |
| D | Speedy Motors purchases | 10 000 | 10 000 |

14 Which is part of the double entry system?

- A petty cash book
- B purchases journal
- C sales returns journal
- D trial balance

15 Sayed's sales journal and sales returns journal for February showed the following totals.

| | \$ |
|-----------------------|--------|
| sales journal | 33 000 |
| sales returns journal | 1 500 |

How are these posted to Sayed's ledger?

| | sales account | | sales returns account | |
|----------|---------------|--------------|-----------------------|--------------|
| | debit \$ | credit \$ | debit \$ | credit \$ |
| A | 33 000 | | | 1 500 |
| B | | 33 000 | 1 500 | |
| C | | 34 500 | | |
| D | | | 31 500 | |

16 The balance on a creditor's account at the beginning of the month is \$46 800. During the month there are purchases of \$15 800, returns of \$2300 and payments of \$20 400.

What is the balance on the creditor's account at the end of the month?

- A** \$12 900 **B** \$39 900 **C** \$49 100 **D** \$60 300

17 Sarah sells goods on credit to Zafar.

How is this recorded in Sarah's ledgers?

| | general ledger | | sales ledger | |
|----------|----------------|---------------|--------------|---------------|
| A | debit | sales account | credit | Zafar account |
| B | credit | sales account | debit | Zafar account |
| C | debit | Zafar account | credit | sales account |
| D | credit | Zafar account | debit | sales account |

18 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 check the arithmetical accuracy of the books
- D to identify errors of omission

19 An amount of \$30 is entered on the debit side of an account instead of the credit side.

How will the trial balance be affected?

- A Total credits are \$30 more than total debits.
- B Total debits are \$30 more than total credits.
- C Total credits are \$60 more than total debits.
- D Total debits are \$60 more than total credits.

20 Abdul sold goods, \$250, on credit to Yasmin.

Yasmin recorded both the debit and credit entries for this transaction as \$25.

Which journal entry will correct this error?

| | | debit \$ | credit \$ |
|----------|--------------------|-------------|--------------|
| A | Abdul purchases | 225 | 225 |
| B | Abdul sales | 225 | 225 |
| C | purchases Abdul | 225 | 225 |
| D | sales Abdul | 225 | 225 |

- 21 Chin's trial balance does not agree by \$89 and this amount is credited to a suspense account. It is found that the sales account has been undercast by \$89.

Which entry should be made to correct this error?

| | account to be debited | \$ | account to be credited | \$ |
|----------|-----------------------|----|------------------------|----|
| A | debtors | 89 | suspense | 89 |
| B | sales | 89 | suspense | 89 |
| C | suspense | 89 | debtors | 89 |
| D | suspense | 89 | sales | 89 |

- 22 A trader receives his bank statement and updates his cash book. He then prepares a bank reconciliation statement.

Which item appears on the bank reconciliation statement?

- A** bank charges
 - B** direct debit
 - C** standing orders
 - D** unpresented cheque
- 23 Why should costs be matched with revenues at the end of an accounting period?
- A** so that profit may be calculated
 - B** so that the trial balance will balance
 - C** to calculate the amount owed to trade creditors
 - D** to calculate the bank balance
- 24 On 1 January 2006 a trader's insurance account had a debit balance of \$900.

On 1 July 2006 an annual insurance premium of \$2000 was paid for the year ended 30 June 2007.

Which amount was charged for insurance in the profit and loss account for the year ended 31 December 2006?

- A** \$900
- B** \$1900
- C** \$2000
- D** \$2900

25 The purchase of machinery has been debited to the purchases account in error.

How will this error affect the business's final accounts?

| | net profit | | fixed assets | |
|----------|------------|---------|--------------|---------|
| | too high | too low | too high | too low |
| A | ✓ | | ✓ | |
| B | ✓ | | | ✓ |
| C | | ✓ | ✓ | |
| D | | ✓ | | ✓ |

26 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

27 A motor vehicle cost \$12 000 on 1 January 2005. It is depreciated using the reducing balance method at 25% per annum.

What is the net book value of the motor vehicle on 31 December 2006?

- A** \$5250 **B** \$6000 **C** \$6750 **D** \$9000

28 Peter sold goods on credit to Ann in 2004. In December 2006 Peter wrote off the amount owed by Ann as a bad debt.

What entries must Peter make in his ledger to write off the bad debt?

| | account to be debited | account to be credited |
|----------|-----------------------|------------------------|
| A | Ann | bad debts |
| B | Ann | sales |
| C | bad debts | Ann |
| D | sales | Ann |

29 A business values its stock of items X and Y. The following information is available.

| item | amount | cost price per unit | net realisable value per unit |
|------|-----------|---------------------|-------------------------------|
| X | 300 units | \$3 | \$4 |
| Y | 600 units | \$6 | \$5 |

What is the total value of the stock?

- A** \$3900 **B** \$4200 **C** \$4500 **D** \$4800

30 How are carriage inwards and carriage outwards recorded in the final accounts?

| | carriage inwards | carriage outwards |
|----------|--------------------------------|--------------------------------|
| A | credit profit and loss account | credit trading account |
| B | credit trading account | credit profit and loss account |
| C | debit profit and loss account | debit trading account |
| D | debit trading account | debit profit and loss account |

31 How is net profit calculated?

- A** gross profit + discount received + expenses
B gross profit + discount received – expenses
C gross profit – discount received + expenses
D gross profit – discount received – expenses

32 Ralph, a partner, has withdrawn money for his own use and will be charged interest on his drawings.

How is this interest on drawings recorded in the accounts of the partnership?

| | debit | credit |
|----------|-------------------------|-------------------------|
| A | appropriation account | Ralph current account |
| B | profit and loss account | Ralph current account |
| C | Ralph current account | appropriation account |
| D | Ralph current account | profit and loss account |

- 33** Sara and Fatima are in partnership. Sara is entitled to a partnership salary of \$30 000 per annum and the balance of the profit is shared equally.

The net profit for the year was \$180 000.

What is Sara's total income from the business?

- A** \$75 000 **B** \$90 000 **C** \$105 000 **D** \$120 000
- 34** Which is shown in a statement of affairs?
- A** gross profit
B overhead expenses
C owner's capital
D sales and purchases
- 35** A trader provides the following information.

| | \$ |
|-----------------------|--------|
| opening debtors | 25 000 |
| closing debtors | 20 000 |
| receipts from debtors | 30 000 |
| cash discount allowed | 2 000 |

What is the total of the credit sales?

- A** \$27 000 **B** \$28 000 **C** \$32 000 **D** \$37 000
- 36** Which is an intangible asset?
- A** debtors
B goodwill
C property
D stock
- 37** 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

38 The following is extracted from a trader's balance sheet.

| | \$ |
|---------------------|---------|
| fixed assets | 100 000 |
| current assets | 45 000 |
| current liabilities | 15 000 |
| long term loan | 70 000 |

What is the trader's capital?

- A** \$30 000 **B** \$60 000 **C** \$90 000 **D** \$130 000

39 Which is a measure of profitability?

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

40 A business provided the following information.

| | year 1 | year 2 | year 3 |
|---------------------------------------|--------|--------|--------|
| gross profit as a percentage of sales | 37% | 37% | 37% |
| net profit as a percentage of sales | 12% | 10% | 7% |

What does this show?

- A** control over expenses is getting better
B control over expenses is getting worse
C sales have reduced
D sales have increased

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