

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/01**

Paper 1 Multiple Choice

October/November 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 **12** printed pages.



- 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 The owner of a business requires a statement to show the trading results for a financial year.

Which accounting statement is used?

- A Balance Sheet
- B Capital account
- C Trading and Profit and Loss Account
- D Trial balance

- 3 After the preparation of the Profit and Loss Account, the following balances were included in the books of the business.

	\$
equipment	17 600
creditors	3 200
debtors	5 900
bank overdraft	800
accrued expenses	600
stock	4 100
motor vehicles	2 500

What is the total of the assets?

- A \$27 400      B \$30 100      C \$30 700      D \$30 900

- 4 Which will give the cost of goods sold?

- A opening stock – purchases + closing stock
- B purchases + closing stock – opening stock
- C opening stock + purchases – closing stock
- D purchases – opening stock – closing stock

- 5 Karl's trial balance for 31 December 2003 includes the following balances.

	\$
sales	3 200
stock at 1 January 2003	200
purchases	1 800
expenses	800

Karl's stock at 31 December 2003 was \$300.

What is Karl's net profit for the year?

- A** \$400            **B** \$500            **C** \$700            **D** \$1500
- 6 Miriam supplies goods on credit to Anna.

Applying the realisation principle, when does Miriam recognise the sales revenue?

- A** When Anna acquires legal ownership of the goods.  
**B** When Anna orders the goods.  
**C** When Anna pays for the goods.  
**D** When Anna receives a statement from Miriam.
- 7 The same accounting treatment should be applied to similar items at all times.

Which accounting principle is being applied?

- A** consistency  
**B** duality  
**C** money measurement  
**D** prudence
- 8 Unpaid rent is shown as a liability in a balance sheet.

Which accounting principle is this an example of?

- A** consistency  
**B** duality  
**C** matching  
**D** prudence

- 9 Raul is preparing his final accounts. What should he do to observe the principle of prudence?
- A include all foreseeable losses
  - B include all foreseeable revenue
  - C show expenses as low as possible
  - D show prepayments as expenses

- 10 A business spends \$100 000 on staff training. The \$100 000 is entered as an expense in the business accounts, but the increased value of staff to the business is not recorded.

Which accounting principle is being applied?

- A business entity
  - B matching
  - C money measurement
  - D prudence
- 11 Which document is used by a supplier to notify a customer of goods supplied, goods returned and payments received in a month?
- A credit note
  - B debit note
  - C invoice
  - D statement
- 12 Which book of prime entry is also a ledger account?
- A cash book
  - B journal
  - C purchases journal
  - D sales journal

- 13 Amir buys goods with a list price of \$1500 from Zainab, who allows a trade discount of 20%. A cash discount of 5% is also allowed if settlement is made within 30 days.

What amount will be entered in Amir's purchases journal?

- A \$1125
- B \$1140
- C \$1200
- D \$1425

- 14 Smith sold goods on credit to Green.

What entries will Green make to record this?

	account debited	account credited
<b>A</b>	purchases	Smith
<b>B</b>	Smith	purchases
<b>C</b>	sales	Smith
<b>D</b>	Smith	sales

- 15 Carol purchased goods from Janet on credit for \$5000.

Carol pays Janet by cheque after deducting cash discount of \$125.

What are the ledger account entries in Janet's books to record the payment?

	account debited	\$	account credited	\$
<b>A</b>	bank	4 875	Carol	5 000
	discount allowed	125		
<b>B</b>	Carol	5 000	bank	4 875
			discount allowed	125
<b>C</b>	bank	4 875	Carol	5 000
	discount received	125		
<b>D</b>	Carol	5 000	bank	4 875
			discount received	125

- 16 How is the purchase of goods on credit recorded?

	general ledger	purchases ledger
<b>A</b>	debit cash	credit purchases
<b>B</b>	credit cash	debit purchases
<b>C</b>	debit purchases	credit supplier
<b>D</b>	credit purchases	debit supplier

17 At the end of the financial year a business has a bank overdraft.

How will this be shown in the trial balance and the Balance Sheet?

	trial balance		Balance Sheet	
	debit	credit	asset	liability
<b>A</b>	✓		✓	
<b>B</b>		✓		✓
<b>C</b>	✓			✓
<b>D</b>		✓	✓	

18 Which will appear on the credit side of a trial balance?

- A** interest paid
- B** motor vehicles at cost
- C** rent paid
- D** sales

19 Which type of error is corrected using a suspense account?

- A** complete reversal
- B** omission
- C** principle
- D** single entry

20 A trader buys stationery for \$1000 and pays by cheque. This is entered correctly in the bank account but is credited in the stationery account.

What will be the correcting journal entry?

	account debited	\$	account credited	\$
<b>A</b>	suspense	1000	stationery	1000
<b>B</b>	stationery	1000	suspense	1000
<b>C</b>	stationery	2000	suspense	2000
<b>D</b>	suspense	2000	stationery	2000

21 A trader has received a bank statement and brought his cash book up to date.

Which item will be included in the trader's bank reconciliation statement?

- A bank charges
- B bank interest
- C direct debits
- D unpresented cheques

22 The bank balance in John's cash book shows \$100 less than the balance shown on the bank statement.

What could have caused this?

- A cheque not yet credited by the bank
- B cheque not yet presented to the bank
- C interest charged by the bank not yet entered in the cash book
- D standing order paid by the bank not yet entered in the cash book

23 In a given accounting period, why should costs be matched with revenues?

- 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 Jonah lets part of his business premises at a monthly rent of \$120.

On 1 April 2003 the tenant owed one month's rent. During the year ended 31 March 2004, the tenant paid rent of \$1800.

How much should be credited to Jonah's Profit and Loss Account for the year ended 31 March 2004?

- A \$1440      B \$1680      C \$1800      D \$1920

- 25 Abdul is a trader in office furniture. He buys furniture on credit from Farad for use in his business.

How will Abdul record this transaction?

	account debited	account credited
<b>A</b>	purchases	Farad
<b>B</b>	Farad	purchases
<b>C</b>	office furniture	Farad
<b>D</b>	Farad	office furniture

- 26 On the last day of its financial year a business bought a machine. This was debited in the purchases account instead of the machinery account.

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

	net profit		machinery in Balance Sheet	
	too high	too low	too high	too low
<b>A</b>	✓			✓
<b>B</b>		✓		✓
<b>C</b>		✓	✓	
<b>D</b>	✓		✓	

- 27 A business bought a machine for \$10 000. The machine had a life of five years and the estimated residual value was \$2000. Depreciation was calculated annually using the straight line method.

What was the machine's value at the end of year three?

- A** \$2000      **B** \$3200      **C** \$4000      **D** \$5200

- 28 A machine cost \$20 000 and has a current book value of \$12 000. The year's depreciation is then calculated using the reducing balance method at 30%.

What is the depreciation for the year?

- A** \$2400      **B** \$3600      **C** \$6000      **D** \$9600

- 29 How is the closing capital of a sole trader calculated?

- A** opening capital – net loss + drawings  
**B** opening capital + net profit – drawings  
**C** opening capital + net profit + drawings  
**D** opening capital + net loss – drawings



30 A sole trader provides the following information.

	\$
total assets	100 000
liabilities other than bank	24 000
capital	60 000

There is also a loan from the bank.

What is the amount of this loan?

- A** \$16 000      **B** \$36 000      **C** \$76 000      **D** \$84 000

31 A trader has the following assets and liabilities.

	\$
premises	100 000
equipment	20 000
stock	4 000
bank overdraft	1 800
debtors	3 000
creditors	2 400

What is the trader's capital?

- A** \$121 600      **B** \$122 800      **C** \$126 400      **D** \$131 200

32 Which item would appear in a partnership Profit and Loss Account?

- A** interest on loans from partners  
**B** interest on partners' capital  
**C** interest on partners' drawings  
**D** partners' salaries

- 33 Maria and Theresa are partners. They share the profits and losses Maria  $\frac{3}{4}$  and Theresa  $\frac{1}{4}$ . The Appropriation Account for the year ended 30 April 2004 shows the following.

	\$
net loss	2400
partner's salary - Theresa	2000

How much will be debited to Theresa's current account as her share of the loss for the year?

- A \$100            B \$600            C \$1100            D \$1400
- 34 On 1 October, Joe was owed \$1230 by his trade debtors. During October his sales to customers on credit were \$3400. On 31 October the trade debtors owed \$820.
- How much did Joe receive from his trade debtors during October?
- A \$2580            B \$2990            C \$3810            D \$4630
- 35 Which should be shown as a fixed asset in a Balance Sheet?
- A creditors  
B debtors  
C premises  
D stock
- 36 A business's gross profit is \$250 000 which is 25% of sales. The expenses are \$75 000.
- What is the net profit as a percentage of sales?
- A 7.5%            B 17.5%            C 30%            D 70%

37 The table shows a business's working capital.

	\$
stocks	40 000
debtors	30 000
bank	20 000
cash	<u>10 000</u>
	100 000
less creditors	<u>40 000</u>
	60 000

What is the current ratio?

- A** 1.5:1      **B** 1.67:1      **C** 1.75:1      **D** 2.5:1

38 A trader provides the following information.

gross profit	\$35 000
expenses	\$18 000
net profit	20 % of sales

What is the cost of sales?

- A** \$17 000      **B** \$50 000      **C** \$52 000      **D** \$85 000

39 What does the gross profit percentage of a business measure?

- A** efficiency  
**B** liquidity  
**C** profitability  
**D** solvency

40 Two businesses, X and Y, are of a similar size and are in the same industry.

They provide the following information.

	X	Y
	%	%
gross profit as a percentage of sales	27	30
net profit as a percentage of sales	14	11

What does this show?

- A X controlled expenses better than Y
- B Y controlled expenses better than X
- C X's sales were greater than Y's
- D Y's sales were greater than X's