

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/01**

Paper 1 Multiple Choice

October/November 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 Which is a liability?
- A items of value owned by a business
  - B money owed by the business
  - C money owed to the business
  - D total expenditure of the business
- 2 What information does the Balance Sheet of a business show?
- A capital
  - B expenses
  - C gross profit
  - D sales
- 3 Which item in a trial balance will appear in the Profit and Loss Account?
- A bank account
  - B bank charges
  - C bank loan
  - D bank overdraft
- 4 What would be classed as drawings in the accounting records of a sole trader?
- A cash withdrawn from bank for office use
  - B cash withdrawn from bank for petty cash
  - C cash withdrawn from bank for trader's business expenses
  - D cash withdrawn from bank for personal use
- 5 A business sends its employees on a training course, the cost of which is treated as a business expense. No record is made of the benefit to the business of the extra skills gained by the employees.

Which accounting principle is being applied?

- A duality
- B matching
- C money measurement
- D prudence

- 6 On 1 January 2004 a business owed \$500 for the rent for December 2003.  
During 2004, the business paid rent of \$80 000 including \$1000 as rent for 2005.  
According to the matching principle, how much was the rent for 2004?
- A** \$78 500      **B** \$80 000      **C** \$80 500      **D** \$81 500
- 7 When a business charges depreciation on its fixed assets, which accounting principle is it observing?
- A** business entity  
**B** money measurement  
**C** prudence  
**D** realisation
- 8 Which business document shows all the transactions that have taken place with a customer during a month?
- A** credit note  
**B** debit note  
**C** invoice  
**D** statement
- 9 An invoice for goods, \$1200, has been wrongly entered as a credit note. The balance on the purchases account is \$17 000.  
What is the correct balance?
- A** \$14 600      **B** \$15 800      **C** \$18 200      **D** \$19 400
- 10 A business buys goods for cash which are intended for resale.  
In which book of prime (original) entry is the transaction entered?
- A** cash book  
**B** journal  
**C** purchases journal  
**D** sales journal

- 11 Majid offers the following terms to all customers.

|                |      |
|----------------|------|
| trade discount | 20 % |
| cash discount  | 5 %  |

Majid sells goods to Salah at a list price of \$1000. Salah does not pay for the goods in time to claim cash discount.

How much does Salah pay to Majid?

- A** \$750                      **B** \$760                      **C** \$800                      **D** \$1000

- 12 Which entries are made in X's ledger to record the payment by a customer of money owing to X?

|          | account to be debited | account to be credited |
|----------|-----------------------|------------------------|
| <b>A</b> | cash                  | creditor               |
| <b>B</b> | cash                  | debtor                 |
| <b>C</b> | creditor              | cash                   |
| <b>D</b> | debtor                | cash                   |

- 13 Annual sales figures are as follows.

| goods<br>\$ | trade discount<br>\$ | net<br>\$ |
|-------------|----------------------|-----------|
| 110 000     | 16 500               | 93 500    |

How much should be credited to the sales account?

- A** \$77 000                      **B** \$93 500                      **C** \$110 000                      **D** \$126 500

- 14 Which transaction will be recorded in both the nominal (general) ledger and the purchases (creditors) ledger?

- A** purchase of goods by cheque  
**B** purchase of stationery in cash  
**C** return of goods by a customer  
**D** return of goods to a supplier

- 15 Where are the balances of carriage inwards and carriage outwards shown in the trial balance?

|          | debit column                          | credit column                         |
|----------|---------------------------------------|---------------------------------------|
| <b>A</b> | carriage inwards                      | carriage outwards                     |
| <b>B</b> | carriage outwards                     | carriage inwards                      |
| <b>C</b> | carriage inwards<br>carriage outwards | —                                     |
| <b>D</b> | —                                     | carriage inwards<br>carriage outwards |

- 16 The totals of a trial balance are given below.

Debit column    \$46 800

Credit column    \$39 700

The following errors have been discovered.

Rent received, \$3550, has been included as a debit balance.

Cash received from K Greener in settlement of a debt of \$2000 has been credited to B Greener.

What will be the corrected trial balance totals?

- A**    \$38 150            **B**    \$41 250            **C**    \$43 250            **D**    \$45 250

- 17 A purchase on credit of \$500 from Mitchell was credited in error to Mitchison's ledger account.

Which entries correct this error?

|          | account to<br>be debited |     | account to<br>be credited |     |
|----------|--------------------------|-----|---------------------------|-----|
|          |                          | \$  |                           | \$  |
| <b>A</b> | Mitchison                | 500 | Mitchell                  | 500 |
| <b>B</b> | Mitchell                 | 500 | Mitchison                 | 500 |
| <b>C</b> | Suspense                 | 500 | Mitchell                  | 500 |
| <b>D</b> | Mitchison                | 500 | Suspense                  | 500 |

- 18 On 1 March the petty cash balance equalled the imprest amount of \$150. During the month the petty cash cashier spent \$126 and received \$4 from a member of staff for private telephone calls.

How much will the petty cashier receive on 31 March to restore the imprest?

- A**    \$24                    **B**    \$28                    **C**    \$122                    **D**    \$150

**19** What is a bank reconciliation statement?

- A** a statement sent to a customer each month by the bank
- B** a statement sent by a business to a customer who has purchased goods on credit
- C** a statement presented by a business to the bank listing cheques to be credited by the bank
- D** a statement showing the differences between a business's cash book balance and the bank statement balance

**20** A trader receives her bank statement.

What would it include?

- A** amounts paid into the bank, not yet credited
- B** cheques sent to creditors, not yet presented
- C** a debtor's cheque that has been dishonoured
- D** a petty cash payment

**21** When preparing her final accounts, Elsie forgot to include an unpaid invoice for goods supplied to her during the year.

How does this affect Elsie's Balance Sheet?

- A** assets are overstated
- B** assets are understated
- C** liabilities are overstated
- D** liabilities are understated

**22** A business has not adjusted its final accounts for insurance prepaid at the end of the financial year.

What is the effect of this?

|          | net profit  | current assets |
|----------|-------------|----------------|
| <b>A</b> | overstated  | overstated     |
| <b>B</b> | overstated  | understated    |
| <b>C</b> | understated | overstated     |
| <b>D</b> | understated | understated    |

**23** At what value should stock appear in a Balance Sheet?

- A** average cost price during the year
- B** average selling price during the year
- C** lower of cost and net realisable value
- D** net realisable value

**24** Which is capital expenditure?

- A** discounts allowed
- B** motor vehicle purchase
- C** motor vehicle repairs
- D** rent paid

**25** A sole trader has paid rent of \$2400 for the year ended 31 December. The first accounts are drawn up for the nine month period ended 30 September.

How much rent will be charged to the Profit and Loss Account?

- A** \$600                      **B** \$1800                      **C** \$2400                      **D** \$3000

**26** The table shows information about a fixed asset.

|                        |          |
|------------------------|----------|
| cost                   | \$15 000 |
| residual (scrap) value | \$2 000  |
| estimated useful life  | 10 years |

What is the amount of annual depreciation if the straight line (equal instalment) method is used?

- A** \$1300                      **B** \$1500                      **C** \$1700                      **D** \$2000

**27** What is net profit?

- A** income less cost of sales
- B** income less expenses
- C** purchases less cost of sales
- D** purchases less expenses

- 28 A business provides for the depreciation of its fixed assets.

What is the effect of this?

|          | net profit | net book value<br>of fixed assets |
|----------|------------|-----------------------------------|
| <b>A</b> | decrease   | decrease                          |
| <b>B</b> | decrease   | increase                          |
| <b>C</b> | increase   | decrease                          |
| <b>D</b> | increase   | increase                          |

- 29 A business's trial balance included the following.

|                                         | Dr<br>\$ | Cr<br>\$ |
|-----------------------------------------|----------|----------|
| machinery at cost                       | 10 000   |          |
| provision for depreciation of machinery |          | 3000     |

Depreciation is **to be provided** at 10 % on cost.

What is the net book value of machinery shown in the Balance Sheet?

- A** \$4000      **B** \$6000      **C** \$7000      **D** \$9000
- 30 In which section of a Balance Sheet would a credit balance on a partner's current account appear?
- A** capital  
**B** current assets  
**C** current liabilities  
**D** long-term liabilities
- 31 Sara and Melissa are in partnership sharing profit and losses equally. The partnership agreement also provides for an annual salary of \$10 000 for Melissa. The net profit for the year is \$20 000.

What is Melissa's total income from the business?

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



**32** A trader provided the following information.

|                 | \$     |
|-----------------|--------|
| opening capital | 24 609 |
| drawings        | 8 753  |
| closing capital | 28 655 |

What is the net profit or loss?

- A** \$4707 loss
- B** \$4707 profit
- C** \$12 799 loss
- D** \$12 799 profit

**33** A business has no long term liabilities.

What is added to fixed assets in order to calculate the capital employed?

- A** current assets
- B** current liabilities
- C** owner's capital
- D** working capital

**34** In a bakery business, which is a current asset?

- A** motor vehicle
- B** oven
- C** shelving
- D** stock of flour

35 The table shows information extracted from the Balance Sheet of a business.

|                  | \$   |
|------------------|------|
| prepaid expenses | 1000 |
| stock            | 4000 |
| debtors          | 2000 |
| creditors        | 5000 |
| cash at bank     | 6000 |
| expenses owing   | 3000 |

What is the amount of the working capital?

- A** \$5 000      **B** \$9 000      **C** \$11 000      **D** \$13 000

36 Which will increase the current assets?

- A** payment of a creditor's invoice by cheque  
**B** receipt of a cheque from a bank loan  
**C** receipt of cash from a debtor  
**D** repayment of a bank loan by cheque

37 A sole trader's Balance Sheet includes the following.

|              | \$     |
|--------------|--------|
| creditors    | 6 000  |
| cash         | 1 000  |
| fixed assets | 15 000 |
| stock        | 4 000  |
| mortgage     | 30 000 |
| debtors      | 10 000 |

What is the quick ratio?

- A** 0.31:1      **B** 0.83:1      **C** 1.83:1      **D** 2.50:1

38 The following information is extracted from the accounts of a business.

|               | \$     |
|---------------|--------|
| sales         | 50 000 |
| opening stock | 15 000 |
| purchases     | 25 000 |
| closing stock | 10 000 |

What is the gross profit as a percentage of sales?

- A** 20 %                      **B** 40 %                      **C** 50 %                      **D** 60 %

39 What is shown by the percentage of net profit to sales?

- A** whether the cost of sales has decreased  
**B** whether the expenses are well controlled  
**C** whether the selling price has increased  
**D** whether the stock is being sold quickly enough

40 Four businesses are of a similar size and sell similar products.

Which business is most efficient at keeping its overhead expenses to a minimum?

|          | gross profit / sales<br>% | net profit / sales<br>% |
|----------|---------------------------|-------------------------|
| <b>A</b> | 40                        | 23                      |
| <b>B</b> | 45                        | 30                      |
| <b>C</b> | 55                        | 37                      |
| <b>D</b> | 65                        | 46                      |

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