

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/01**

Paper 1 Multiple Choice

October/November 2006

**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 Why should a trader record all the financial information about her business?
- A to calculate her bank balance
  - B to calculate her debtors
  - C to calculate her drawings
  - D to calculate her profit
- 2 Which is a liability of a business?
- A petty cash
  - B rented premises
  - C trade creditors
  - D trade debtors
- 3 A business has the following assets and liabilities.

	\$
motor vehicles	10 000
creditors	2 000
stock	3 000
bank overdraft	1 500
debtors	1 000
prepaid expenses	500

What is the capital?

- A \$10 000
  - B \$11 000
  - C \$14 000
  - D \$14 500
- 4 A trader provides the following information for the year ended 31 August 2006.

	\$
sales	80 000
cost of sales	50 000
net profit	14 000

What are the expenses for the year ended 31 August 2006?

- A \$16 000
- B \$30 000
- C \$36 000
- D \$66 000

- 5 What is a Balance Sheet?
- A a list of all the assets of a business at a particular date
  - B a list of all the balances in the ledger accounts at a particular date
  - C a statement of assets and liabilities of a business at a particular date
  - D a statement of profit and losses of a business at a particular date
- 6 On 1 January Omar had a business capital of \$23 000.
- During the year ended 31 December
- Omar introduced \$2500 as extra capital
  - \$1500 was paid by the business for building work to Omar's house.
- What was Omar's capital on 31 December?
- A \$23 000      B \$24 000      C \$25 500      D \$27 000
- 7 Which accounting principle states that two accounting entries are required for each financial transaction?
- A consistency
  - B duality
  - C matching
  - D money measurement
- 8 Aziz owns a shoe shop. Another shoe shop opens nearby. Aziz thinks this will reduce his sales and his profit, but he does not enter this in his accounting records.
- Which accounting principle is Aziz applying?
- A business entity
  - B going concern
  - C matching
  - D money measurement
- 9 Which document from a supplier reduces the amount owed by a customer?
- A credit note
  - B debit note
  - C invoice
  - D statement

- 10 Which business document contains details of purchases, returns and payments occurring over a trading period?
- A credit note  
 B debit note  
 C invoice  
 D statement
- 11 What is the accounting treatment for trade discount and cash discount allowed to a customer?

	shown as deduction on invoice	shown as an expense in Profit and Loss Account
<b>A</b>	cash discount	trade discount
<b>B</b>	trade discount	cash discount
<b>C</b>	trade discount cash discount	cash discount
<b>D</b>	trade discount cash discount	trade discount

- 12 The list price of a product is \$10 000 and a trade discount of 20% is given to the customer. The customer pays his invoice within 14 days and is allowed a cash discount of 5%. How much is paid by the customer?
- A \$7600      B \$8000      C \$8400      D \$9500

- 13 Which is both a book of prime (original) entry and a part of the ledger?
- A cash book  
 B journal  
 C purchases journal  
 D sales journal

- 14 A trader buys a motor vehicle, for use in his business, on credit from J. Sango.

How is this recorded in the trader's ledger?

	account to be debited	account to be credited
<b>A</b>	bank	motor vehicle
<b>B</b>	motor vehicle	bank
<b>C</b>	motor vehicle	J. Sango
<b>D</b>	J. Sango	motor vehicle

- 15 The total of the purchases returns journal for September is \$1400.

How is this posted in the general ledger?

	purchases account	purchases returns account
<b>A</b>	credit \$1400	–
<b>B</b>	debit \$1400	–
<b>C</b>	–	credit \$1400
<b>D</b>	–	debit \$1400

- 16 Marie owes Yvonne \$482 on 1 August.

During August Marie purchases goods, \$260, from Yvonne and pays Yvonne \$137.

How much does Marie owe Yvonne on 31 August?

- A** \$85                      **B** \$359                      **C** \$605                      **D** \$879

- 17 Which account is found in the purchases ledger?

- A** purchases  
**B** purchases returns  
**C** XY – a supplier  
**D** WZ – a customer

18 A trial balance balances.

What does this mean?

- A All the arithmetic in the ledger is correct.
- B All transactions have been entered in the correct ledger accounts.
- C All transactions have been entered on the correct sides of the ledger.
- D Total debit balances equal total credit balances in the ledger.

19 Which is an error of omission?

- A No entry has been made for the purchase of stationery by cheque.
- B Purchase of stationery has been entered only in the cash book.
- C Purchase of stationery has been entered only in the stationery account.
- D The stationery account has been omitted from the trial balance.

20 A trader's journal shows the following entry.

	dr \$	cr \$
John	300	
Jane		300
Correction of error		

Both John and Jane are debtors of the trader.

What error is the journal entry correcting?

- A Goods bought from Jane were wrongly credited to John.
- B Goods bought from John were wrongly credited to Jane.
- C Goods sold to Jane were wrongly debited to John.
- D Goods sold to John were wrongly debited to Jane.

- 21 A trial balance does not balance and a suspense account is opened. It is found that \$250 was credited in the sales account as \$2500.

Which entry will correct this error?

	account to be debited	\$	account to be credited	\$
<b>A</b>	sales	250	suspense	250
<b>B</b>	sales	2250	suspense	2250
<b>C</b>	suspense	2250	sales	2250
<b>D</b>	suspense	2500	sales	2500

- 22 Which item on a bank statement would cause the balance to be more than the balance in the cash book?

- A** bank charges
- B** bank interest credited
- C** dishonoured cheque
- D** standing orders paid

- 23 On 1 January 2005 a trader owes \$200 for electricity in respect of 2004. During 2005, she pays \$5000 for electricity. On 31 December 2005 she owes \$600 for electricity.

How much will be shown for electricity in the Profit and Loss Account for the year ended 31 December 2005?

- A** \$4200      **B** \$4600      **C** \$5400      **D** \$5800

- 24 When preparing the final accounts for the year ended 31 December 2005 no adjustment was made for rent paid for January 2006.

What is the effect of this error?

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

25 Which is **not** a revenue expense?

- A cost of ink cartridges
- B cost of printer maintenance
- C purchase of paper
- D purchase of printer

26 A business sells some fixtures and fittings at book value.

What is the effect of this?

	capital expenditure	capital receipts	fixed assets
<b>A</b>	increase	no effect	increase
<b>B</b>	no effect	increase	increase
<b>C</b>	increase	no effect	decrease
<b>D</b>	no effect	increase	decrease

27 What is the effect of providing for depreciation?

- A It increases profit.
- B It reduces profit.
- C It extends the life of fixed assets.
- D It increases the cash balance.

28 Plant and machinery cost \$40 000. Depreciation is charged at 20 % per annum on the reducing (diminishing) balance method.

What is the depreciation charge for the second year of ownership?

- A** \$6400      **B** \$8000      **C** \$14 400      **D** \$16 000

29 A trader sold goods to Zahid on credit. Zahid failed to pay the amount owing and was written off as a bad debt.

What entries will the trader make to write off this bad debt?

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



30 A trader provides the following information about her only two items of stock on 31 May 2006:

item	cost	selling price	selling expenses
X	\$24	\$20	–
Y	\$22	\$25	\$6

What will be the value of the total stock in the final accounts for the year ended 31 May 2006?

- A** \$39                      **B** \$42                      **C** \$45                      **D** \$46

31 A sole trader provides the following information.

	\$
closing stock	2 000
purchases	48 000
sales returns	5 000
opening stock	3 000
sales	96 000

What is the trader's gross profit?

- A** \$38 000                      **B** \$42 000                      **C** \$44 000                      **D** \$52 000

32 How is carriage outwards recorded in final accounts?

- A** credit Profit and Loss Account  
**B** debit Profit and Loss Account  
**C** credit Trading Account  
**D** debit Trading Account

- 33 Sarah and Jane are in partnership. They provide the following information for the year ended 30 September 2006.

	\$	\$
gross profit		95 000
administration and selling expenses		31 000
salaries – staff	29 000	
– Jane	<u>10 000</u>	39 000
interest on loan – paid to bank	2 000	
– paid to Sarah	<u>1 000</u>	3 000

What is the net profit of the partnership for the year ended 30 September 2006?

- A** \$22 000      **B** \$25 000      **C** \$32 000      **D** \$33 000
- 34 A business does not keep full accounting records.

What will it use to calculate the profit or loss for the year?

- A** bank statement  
**B** cash book  
**C** purchases and sales invoices  
**D** statement of affairs
- 35 A business selling on credit terms provided the following information.

	\$
debtors at 1 January	6 000
at 31 December	8 000
received from debtors in year ended 31 December	50 000

What were the credit sales for the year ended 31 December?

- A** \$44 000      **B** \$48 000      **C** \$52 000      **D** \$56 000

36 Which is a current asset?

- A accrued wages
- B bank loan
- C motor vehicles at cost
- D prepaid insurance

37 A trader provides the following information.

	\$
bank and cash	1760
creditors	2100
debtors	2570
furniture and fittings	2000
long term loan	1000
stock	750

What is the working capital?

- A \$1980      B \$2980      C \$3980      D \$4980

38 Which is the **best** indicator of the liquidity of a business?

- A current ratio
- B quick ratio
- C return on capital employed
- D working capital

39 The table refers to the results of a business.

	year 1	year 2
gross profit as a percentage of sales	25	25
net profit as a percentage of sales	12	8

Which statement is correct if the total annual sales figure is unchanged?

- A cost of sales has fallen
- B cost of sales has increased
- C total expenses have fallen
- D total expenses have increased

40 The current ratio of X is 2 : 1. The current ratio of Y is 1.3 : 1.

What does a comparison of these ratios show?

- A X has fewer liabilities than Y.
- B X has more liquidity than Y.
- C Y has fewer current assets than X.
- D Y has more stock than X.