

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/01**

Paper 1 Multiple Choice

May/June 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 **11** printed pages and **1** blank page.



- 1 Why should a sole trader record all the financial information about her business?
- A because she is required to do so by law
  - B because she needs to pay her creditors on time
  - C so that she can prepare final accounts
  - D so that she knows how much her debtors owe her
- 2 What is net profit?
- A the amount of money taken out of the business by the owner during the year
  - B the cash in the business bank account
  - C the difference between sales and cost of sales
  - D the sales revenue less cost of sales and expenses
- 3 What is shown as a liability in a Balance Sheet?
- A accrued wages
  - B fixtures and fittings
  - C prepaid rent
  - D stock of goods
- 4 What information is shown by a business's Trading Account?
- A if the business assets equal the liabilities
  - B if the business has made a gross profit
  - C if the business has made a net profit
  - D if the business income exceeds expenditure
- 5 The credit side of a business's cash book includes the following payments.

	\$
cash taken by proprietor for personal use	5000
cash paid for fuel for proprietor's private motor car	200
cash taken by proprietor to purchase business stationery	20

How much will be recorded as proprietor's drawings?

- A \$5000                      B \$5020                      C \$5200                      D \$5220

- 6 A business sends a cheque to a supplier. The transaction is recorded in the cash book and supplier's account.

Which accounting principle is being applied?

- A consistency
  - B duality
  - C money measurement
  - D prudence
- 7 When does a business recognise the income from a sale of goods on credit?
- A when it sends a statement to the customer
  - B when the customer pays for the goods
  - C when the goods are delivered to the customer
  - D when the goods are ordered by the customer
- 8 Which describes the going concern principle?
- A Accountants apply the same treatment to similar transactions.
  - B Accountants assume that the business will continue to exist indefinitely.
  - C Accountants keep the transactions of the proprietor and the business separate.
  - D Accountants record the two-fold aspect of every transaction.
- 9 In which order are documents used when goods are purchased on credit?
- A cheque, invoice, order
  - B cheque, order, invoice
  - C order, invoice, cheque
  - D invoice, order, cheque
- 10 When will a business issue a debit note?
- A when goods are received from a supplier
  - B when goods are returned by a customer
  - C when goods are returned to a supplier
  - D when goods are sent to a customer

- 11 Abdul sells goods with a list price of \$4000 on credit to Omar. Abdul offers the following discounts.

Cash discount 10 %

Trade discount 20 %

What amount will be entered in the sales journal of Abdul?

- A \$2880            B \$3200            C \$3600            D \$4000
- 12 A business keeps a three column cash book.

Where is the total of the discount column on the debit side posted?

- A to the credit side of discounts allowed account  
 B to the credit side of discounts received account  
 C to the debit side of discounts allowed account  
 D to the debit side of discounts received account
- 13 A trader purchases a motor vehicle to deliver goods to his customers.

How will he record this?

	account to be debited	account to be credited
<b>A</b>	bank	motor vehicles
<b>B</b>	motor vehicles	bank
<b>C</b>	bank	purchases
<b>D</b>	purchases	bank

- 14 Sarah sublets part of her premises to Ruth.

A cheque for rent has been received from Ruth.

How will Sarah record this in her ledger?

	account to be debited	account to be credited
<b>A</b>	bank	rent receivable
<b>B</b>	rent receivable	bank
<b>C</b>	rent receivable	Ruth
<b>D</b>	Ruth	bank

- 15** Where are the personal accounts of trade customers found?
- A** purchases journal
  - B** purchases (creditors) ledger
  - C** sales journal
  - D** sales (debtors) ledger
- 16** What is the main purpose of a trial balance?
- A** to check the arithmetical accuracy of the double entry
  - B** to check the bank balance agrees with the bank statement balance
  - C** to check that all invoices have been sent
  - D** to check that all journal entries have been posted
- 17** Which is an error of principle?
- A** cheque for \$85 from W entered in W's account as \$58
  - B** purchase of machinery entered in purchases account
  - C** sales of goods, \$300, to X completely omitted from books
  - D** sale to Y entered in the account of Z
- 18** The total of the discounts received account, \$400, is entered on the wrong side of a trial balance.  
Which suspense account entry will balance the trial balance?
- A** \$400 credit
  - B** \$800 credit
  - C** \$400 debit
  - D** \$800 debit
- 19** The purchase of a motor vehicle on credit was debited to the motor expenses account.  
How is this error corrected?

	account to be debited	account to be credited
<b>A</b>	creditors	motor expenses
<b>B</b>	motor expenses	creditors
<b>C</b>	motor expenses	motor vehicles
<b>D</b>	motor vehicles	motor expenses

- 20** What is the purpose of preparing a bank reconciliation statement?
- A** to check that all expenses have been paid
  - B** to check on the amount owed by debtors
  - C** to explain the difference between the bank statement balance and cash book balance
  - D** to see by how much the bank balance has increased during the accounting period
- 21** A business paid \$1800 for insurance in 2005. A prepayment of \$150 had been brought forward from 2004.
- How much is charged to the Profit and Loss Account in 2005?
- A** \$1650      **B** \$1800      **C** \$1950      **D** \$2100
- 22** When preparing his final accounts, a trader forgot to include an unpaid invoice for repairs to his motor vehicle.
- What is the effect of this?
- A** fixed assets are overstated
  - B** fixed assets are understated
  - C** net profit is overstated
  - D** net profit is understated
- 23** Which is revenue expenditure?
- A** building an extension to factory premises
  - B** legal costs of buying factory premises
  - C** purchase of factory premises
  - D** redecorating factory premises
- 24** What is the effect if capital expenditure is treated as revenue expenditure?
- A** gross profit is understated
  - B** net profit is understated
  - C** total assets are overstated
  - D** working capital is understated

25 A trader recognises that his motor vehicles depreciate in value each year.

How does he record this in his final accounts?

	Profit and Loss Account		Balance Sheet	
	increase expense	decrease expense	increase fixed assets	decrease fixed assets
<b>A</b>	✓			✓
<b>B</b>		✓		✓
<b>C</b>	✓		✓	
<b>D</b>		✓	✓	

26 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

27 Zafar owed Ali \$500. Zafar was only able to pay Ali \$200. Ali wrote the balance off as a bad debt.

Which entries record this in Ali's ledger?

	account to be debited	\$	account to be credited	\$
<b>A</b>	bad debts	500	bank Zafar	200 300
<b>B</b>	bank Zafar	200 300	bad debts	500
<b>C</b>	bad debts bank	300 200	Zafar	500
<b>D</b>	Zafar	500	bad debts bank	300 200

28 A trader made a net profit of \$15 600. Sales were \$40 000 and overhead expenses were \$10 000.

What was the cost of sales?

**A** \$14 400      **B** \$24 400      **C** \$25 600      **D** \$30 000

29 How is carriage inwards recorded in final accounts?

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

30 After preparing her final accounts, a trader finds that she has not included accrued electricity charges.

How will the correction of this error affect her final accounts?

	Profit and Loss Account		Balance Sheet	
	increase expenses	decrease expenses	increase capital	decrease capital
<b>A</b>	✓		✓	
<b>B</b>		✓		✓
<b>C</b>	✓			✓
<b>D</b>		✓	✓	

31 Mark and Sally are in partnership sharing profits and losses in the ratio of 2 : 1.

The following is extracted from their final accounts for the year ended 30 April 2006.

	\$	\$
Net profit		56 000
Partners' salaries - Mark	8 000	
Sally	<u>12 000</u>	<u>20 000</u>
Profit available for distribution		36 000

How much in total will be recorded in Sally's current account on 30 April 2006?

- A** \$18 667
- B** \$24 000
- C** \$30 667
- D** \$32 000



32 A partnership makes a loss during the financial year.

How is this shown in the accounts?

	account to be debited	account to be credited
<b>A</b>	Appropriation Account	partners' capital accounts
<b>B</b>	Appropriation Account	partners' current accounts
<b>C</b>	partners' capital accounts	Appropriation Account
<b>D</b>	partners' current accounts	Appropriation Account

33 The following information is available in respect of a sole trader.

	\$
net profit for year	14 000
drawings	18 000
capital at end of year	62 000

There were no additions to capital during the year.

What was the trader's opening capital?

- A** \$30 000      **B** \$58 000      **C** \$66 000      **D** \$94 000

34 What is an intangible asset?

- A** debtors  
**B** goodwill  
**C** prepayment  
**D** stock

35 The following is extracted from a trader's Balance Sheet.

	\$
fixed assets	3500
current assets	4750
creditors	1300
accruals	85
long term loan	3270

What is the working capital?

- A** \$3365      **B** \$3450      **C** \$3535      **D** \$3595

36 Jones starts a business with capital of \$20 000. In addition to this he obtains a five year loan of \$12 000 to purchase fixed assets.

What is the capital employed?

- A** \$8000      **B** \$12 000      **C** \$20 000      **D** \$32 000

37 Which is a current asset?

- A** accrued expense  
**B** bank overdraft  
**C** creditors  
**D** prepaid expense

38 A business has the following assets and liabilities.

	\$
fixed assets	30 000
current assets	4 000
current liabilities	2 000
long term loan	12 000

What is the current ratio?

- A** 2.0 : 1      **B** 2.4 : 1      **C** 3.0 : 1      **D** 5.0 : 1

39 A business provided the following information for the year ended 31 December 2005.

	\$	\$
Sales		150 000
Cost of sales		
Opening stock	15 000	
Purchases	<u>100 000</u>	
	115 000	
Less closing stock	<u>10 000</u>	105 000

What is the rate of stock turnover?

- A 4.2 times
- B 8.0 times
- C 8.4 times
- D 12.0 times

40 A business has calculated the following ratios.

	percentage of gross profit to sales	percentage of net profit to sales
Year 1	40 %	19 %
Year 2	40 %	25 %

Why did the net profit percentage increase in Year 2?

- A cost of sales decreased
- B cost of sales increased
- C expenses decreased
- D expenses increased

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