



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING

Paper 1 Multiple Choice

0452/01

May/June 2007

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 Businesses use financial records to prepare final accounts.

Which record is used in the preparation of the balance sheet?

- A bank statement
- B cash book
- C purchases journal
- D sales journal

2 What does the owner of a business discover from the profit and loss account?

- A bank account balance
- B how much has been spent on fixed assets
- C how much she withdrew from the business
- D whether gross profit has exceeded expenses

3 Which is a liability of a business?

- A amount owing by debtors
- B amount owing to creditors
- C long term loan to employee
- D property tax paid in advance

4 Which appears in both the trading account and the profit and loss account?

- A cost of sales
- B gross profit
- C net profit
- D sales

5 A trader reduced the telephone expenses in the final accounts by the amount of his personal telephone bill, which had been included in the telephone expenses account.

Which accounting principle is the trader using?

- A business entity
- B going concern
- C matching
- D prudence

- 6 A payment of rent of \$100 is debited to the rent account and credited to the bank account.

Which accounting principle is being applied?

- A consistency
 - B duality
 - C prudence
 - D realisation
- 7 Which would **not** be recorded in the accounting records of a business when applying the money measurement principle?
- A cost of computers purchased
 - B fees paid for staff computer training course
 - C new computer skills acquired by staff
 - D repair bill for computers
- 8 When are credit sales recorded in the seller's book-keeping records?
- A when the cash is received
 - B when the goods are delivered
 - C when the goods are invoiced
 - D when the sales order is received
- 9 Bashir buys goods on credit from Khalid. The goods are damaged and Bashir returns them to Khalid.
- Which document does Khalid send to Bashir to confirm the return?
- A credit note
 - B debit note
 - C invoice
 - D statement
- 10 Which book of prime entry is also a ledger account?
- A cash book
 - B journal
 - C purchases journal
 - D sales journal

11 A trader provides the following extract from her petty cash book.

Date	Details	Total paid \$	Analysis columns		
			Stationery \$	Cleaning \$	Ledger accounts \$
April 10	Window cleaner	10		10	
19	M. Ali	12			12
26	Printer paper	25	25		
30	Total for month	47	25	10	12

Which entries are made in the ledger on 30 April?

- A** credit stationery account: credit cleaning account: credit ledger accounts
- B** credit stationery account: credit cleaning account: credit M. Ali account
- C** debit stationery account: debit cleaning account: debit ledger accounts
- D** debit stationery account: debit cleaning account: debit M. Ali account
- 12 Simon sells goods on credit to Linda. The list price of the goods is \$2000. Simon allows his customers a trade discount of 25%. A cash discount of 2% is also allowed if the customer pays the account in 30 days.

What amount will be entered in Simon's sales journal?

- A** \$1460 **B** \$1470 **C** \$1500 **D** \$1960
- 13 Which transaction is recorded in the journal?
- A** correction of an error in recording sales returns
- B** drawings in cash by the owner
- C** purchase of a motor vehicle by cheque
- D** purchase of goods on credit

14 Rent is paid to J. Perigo in cash.

How is this recorded?

	account to be debited	account to be credited
A	cash	rent
B	J. Perigo	rent
C	rent	cash
D	rent	J. Perigo

15 The totals of the discount columns in a cash book are as follows:

debit	\$2000
credit	\$1250

Which entries are made in the ledger accounts?

	account to be debited	\$	account to be credited	\$
A	discounts allowed	1250	discounts received	2000
B	discounts allowed	2000	discounts received	1250
C	discounts received	1250	discounts allowed	2000
D	discounts received	2000	discounts allowed	1250

16 On 1 April 2007 Chan owes Tan \$570. During April 2007 the following transactions took place.

Tan sold goods, \$380, on credit to Chan

Chan returned goods, \$150, to Tan

Chan paid Tan \$500 by cheque

What is the balance brought down on Chan's account in Tan's ledger on 1 May 2007?

- A** \$300 credit
- B** \$300 debit
- C** \$840 credit
- D** \$840 debit

17 How is the purchase of goods on credit recorded?

	general ledger	purchases ledger
A	debit cash	credit purchases
B	credit cash	debit purchases
C	debit purchases	credit supplier
D	credit purchases	debit supplier

- 18 Saddique's trial balance failed to balance. The debit column totalled \$12 250 and the credit column totalled \$12 200.

The following errors were discovered and corrected.

No entry had been made for cash sales, \$150.

The total of the discount received account, \$50, had been omitted from the trial balance.

What will be the totals of the amended trial balance?

- A \$12 250 B \$12 300 C \$12 350 D \$12 400

- 19 The difference on a trial balance was entered in a suspense account.

It was found later that a payment of \$1600 for rent had been entered correctly in the cash book but credited in the rent account.

Which entry corrects this error?

	account to be debited	\$	account to be credited	\$
A	rent	1600	suspense	1600
B	rent	3200	suspense	3200
C	suspense	1600	rent	1600
D	suspense	3200	rent	3200

- 20 Mohammed deals in office equipment. A desk intended for use by the business was recorded as the purchase of goods for resale.

Which entry corrects this error?

	account to be debited	account to be credited
A	purchases	office equipment
B	office equipment	purchases
C	sales	office equipment
D	office equipment	sales

- 21 A business receives a bank statement and updates its cash book.

Which item will increase the bank balance in the cash book?

- A bank charges
 B credit transfers received
 C interest charges
 D standing orders paid

- 22** Why should all accrued expenses be shown in a business's final accounts?
- A** so that the correct total of current assets is shown in the balance sheet
 - B** so that the income of a period is matched against the costs of that period
 - C** to show how much customers owe the business
 - D** to show the amount owed to trade suppliers
- 23** Susan receives a cheque from a tenant on 10 December 2006. This is rent due to the business for the period 1 January to 31 March 2007.

How is this treated in Susan's final accounts for the year ended 31 December 2006?

- A** accrued expense
 - B** accrued income
 - C** prepaid expense
 - D** prepaid income
- 24** Which is a capital receipt?
- A** discount received
 - B** interest received from bank account
 - C** proceeds from sale of fixed asset
 - D** sales income
- 25** A purchase of equipment is debited to the equipment repairs account in error.

What is the effect of this error on the business's final accounts?

	net profit		fixed assets in balance sheet	
	too high	too low	too high	too low
A	✓		✓	
B	✓			✓
C		✓	✓	
D		✓		✓

26 A business fails to depreciate its fixed assets.

What is the effect of this?

- A fixed assets are overstated and net profit is overstated
- B fixed assets are overstated and net profit is understated
- C fixed assets are understated and net profit is overstated
- D fixed assets are understated and net profit is understated

27 Paul purchased a motor vehicle for \$15 000. He estimated that it would be used for 5 years and then be sold for \$2000. Paul decided to spread the depreciation of the motor vehicle equally over its working life at the rate of 20 % per annum.

What is the accumulated depreciation at the end of year 2?

- A \$4680
- B \$5200
- C \$5400
- D \$6000

28 How should stock be valued?

- A higher of selling price and cost
- B higher of net realisable value and cost
- C lower of selling price and cost
- D lower of net realisable value and cost

29 The following information is provided.

	\$
sales for the year	220 000
purchases for the year	130 000
opening stock	10 000
closing stock	12 000

What is the cost of goods sold?

- A \$90 000
- B \$92 000
- C \$128 000
- D \$132 000

30 Abu is a trader. In March 2006 he wrote off a credit customer's account as a bad debt.

Where will this bad debt appear in Abu's final accounts prepared at 31 December 2006?

- A deducted from creditors in balance sheet
- B deducted from debtors in balance sheet
- C deducted from gross profit in profit and loss account
- D deducted from sales in trading account

31 Which is **not** entered in a partnership profit and loss appropriation account?

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

32 Amy and Beth are in partnership, sharing profits equally. No salaries are paid to the partners.

For the financial year ended 31 December 2006:

	\$
net profit	100 000
interest charged on partners' drawings	
Amy	6 000
Beth	4 000

How much is credited to Beth's current account for the year ended 31 December 2006?

- A \$50 000 B \$51 000 C \$55 000 D \$59 000

33 A trader provides the following information.

	1 January 2006 \$	31 December 2006 \$
total assets	50 000	60 000
total liabilities	15 000	22 000

The owner's drawings for the year ended 31 December 2006 were \$12 000.

What was the net profit for the year?

- A \$3 000 B \$9 000 C \$10 000 D \$15 000

- 34 A trader does not keep complete accounting records but is able to provide the following information at the end of her first year of trading.

	\$
cheques received from customers	628
cash received from customers	149
amount owed by customers at the end of the year	73
discounts allowed	25

What are the sales for the year?

- A \$726 B \$825 C \$850 D \$875
- 35 A trader's balances at 31 December include the following.

	\$
creditors	500
cash	50
stock	1100
bank overdraft	400
equipment	750
debtors	200

What is the total of the current assets?

- A \$1350 B \$1650 C \$1750 D \$2100
- 36 Which group contains only tangible fixed assets?
- A bank, cash, debtors, stock
- B bank, debtors, loan, prepaid expenses
- C equipment, goodwill, machinery, vehicles
- D equipment, machinery, premises, vehicles
- 37 How is working capital calculated?
- A current assets – current liabilities
- B current assets – current liabilities – long term liabilities
- C fixed assets + current assets – current liabilities
- D fixed assets – long term liabilities

- 38 The net profit of a business was \$15 000. Balances in the books of the business include the following:

	\$
premises	80 000
debtors	12 000
creditors	7 000
stock	2 000
cash	1 000
long term loan	20 000

What is the return on capital employed (ROCE) %?

- A** 15.79% **B** 17.05% **C** 19.23% **D** 22.06%
- 39 A business provides the following information for the year ended 30 April 2007.

	\$
sales	90 000
cost of sales	55 000
expenses	15 000

What is the percentage of gross profit to sales?

- A** 22.22% **B** 38.89% **C** 61.11% **D** 77.78%
- 40 The table shows information about Ahmed's business for the last two years.

	2005	2006
sales	\$40 000	\$50 000
gross profit as a percentage of sales	35%	28%
net profit as a percentage of sales	15%	14%

What does a comparison of these results show about Ahmed's business?

- A** Expenses were controlled better in 2005 than in 2006.
B Expenses were controlled better in 2006 than in 2005.
C The value of gross profit was greater in 2005 than in 2006.
D The value of gross profit was greater in 2006 than in 2005.

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