



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING

Paper 1 Multiple Choice

0452/01

May/June 2009

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 Zafar runs a transport business and has a fleet of motor vehicles.

Which is a liability to Zafar?

- A depreciation of motor vehicles for the year
- B motor vehicle expenses outstanding
- C motor vehicle insurance paid in advance
- D stock of fuel for motor vehicles

2 Miriam had the following assets and liabilities on 30 December 2008.

	\$
motor vehicles	5 000
stock	16 000
debtors	4 000
bank (dr)	3 000
creditors	11 000

On 31 December 2008 Miriam invested a further \$4500 as capital.

What was Miriam's capital on 31 December 2008?

- A \$21 500 B \$28 000 C \$32 500 D \$43 500

3 Which appears in a balance sheet of a sole trader?

- A drawings
- B equipment repairs
- C gross profit
- D opening stock

4 At the end of her first year of trading, Mona provides the following information.

	\$
sales	50 500
purchases	44 100
carriage inwards	2 300
carriage outwards	3 900
closing stock	4 600

What is Mona's gross profit?

- A** \$6400 **B** \$7100 **C** \$8700 **D** \$11 000

5 Which accounting principle requires the financial transactions of a business to be treated separately from those of the owner?

- A** business entity
B duality
C going concern
D matching

6 A business trains its staff to use computers. The only aspect recorded in the accounting records is the costs of the training courses and the computers. The value to the business of the new skills is not recorded.

Which accounting principle is being applied?

- A** consistency
B money measurement
C prudence
D realisation

- 7 John's financial year ends on 31 December.

In 2008 he paid \$16 500 for advertising in the local newspaper. This was for 15 months to 31 March 2009.

What will be recorded in John's balance sheet at 31 December 2008?

		\$
A	accrual	3 300
B	accrual	13 200
C	prepayment	3 300
D	prepayment	13 200

- 8 The final accounts of a business are prepared on the basis that the business has no intention of significantly reducing the size of its operation in the foreseeable future.

Which accounting principle is being applied?

- A** business entity
 - B** consistency
 - C** going concern
 - D** realisation
- 9 A debit note is issued by a business.
- Why has this debit note been issued?
- A** goods have been received from a supplier
 - B** goods have been returned by a customer
 - C** goods have been returned to a supplier
 - D** goods have been sent to a customer
- 10 On 1 April Khalid sold goods on credit to Yasmin.
- Yasmin returned some of these goods to Khalid the following day.
- In which order will Khalid issue business documents in April?
- A** credit note, invoice, statement
 - B** invoice, credit note, statement
 - C** invoice, statement, credit note
 - D** statement, credit note, invoice

11 Why does a trader offer a trade discount to his customers?

- A to encourage bulk buying
- B to encourage early payment
- C to increase the customer's profit
- D to increase the trader's profit

12 Amir buys goods with a list price of \$1500 from Zainab. Zainab offers the following discounts.

Trade discount 20 %

Cash discount 5 %

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

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

13 The total of David's purchases journal and purchases returns journal for March showed the following.

	\$
purchases journal	10 000
purchases returns journal	900

How are these posted to David's ledger?

	purchases account		purchases returns account	
	credit	\$	debit	\$
A	credit	9 100	–	
B	debit	9 100	–	
C	credit	10 000	debit	900
D	debit	10 000	credit	900

14 Smith sold goods on credit to Green.

Which entries will Green make to record this?

	account to be debited	account to be credited
A	purchases	Smith
B	Smith	purchases
C	sales	Smith
D	Smith	sales

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

- A** cash paid for goods for resale
- B** cash paid for office stationery
- C** return of goods by a customer
- D** return of goods to a supplier

16 Linda is a trader who keeps a full set of accounting records.

Why should she prepare a trial balance at the end of the financial year?

- A** to calculate her closing capital
- B** to check the accuracy of the sales ledger
- C** to help locate arithmetical errors
- D** to prove that the ledger is free from errors

17 The totals of a trial balance agreed.

It was later found goods sold on credit for \$230 had been entered on the correct side of both the debtor's account and the sales account as \$320.

Which type of error is this?

- A** compensating
- B** complete reversal
- C** original entry
- D** principle

- 18 An error was made when recording sales returns.

In which book of prime (original) entry should a correcting entry be made?

- A cash book
- B journal
- C sales journal
- D sales returns journal

- 19 The difference on a trial balance is entered in a suspense account. It is found that \$100 received from Hassan has been debited to the account of Hussein.

Which entries will correct this error?

	debit	\$	credit	\$
A	Hassan	100	Hussein	100
B	Hassan Hussein	100 100	suspense	200
C	suspense	100	Hussein	100
D	suspense	200	Hassan Hussein	100 100

- 20 Freda started a business on 1 January.
On 31 January her cash book showed that she had \$2100 in the bank.
On that date cheques not yet presented for payment totalled \$600 and a deposit of \$900 had not been credited by the bank.

What was the balance shown on Freda's bank statement on 31 January?

- A \$1500 credit
- B \$1800 credit
- C \$2400 credit
- D \$2700 credit

- 21** Zara's financial year ends on 31 December.
She rents premises at an annual rent of \$5000.
On 1 January 2008, prepaid rent of \$1000 appeared as a debit balance on the rent account.
During 2008, rent of \$8000 was paid.

What was the balance brought down on the rent account on 1 January 2009?

- A** \$1000 debit
- B** \$2000 credit
- C** \$3000 credit
- D** \$4000 debit

- 22** At the end of Jane's financial year she owed one month's wages.

How will this be shown in Jane's final accounts?

	profit and loss account		balance sheet	
	expense	revenue	asset	liability
A		✓	✓	
B		✓		✓
C	✓		✓	
D	✓			✓

- 23** A trader made the following payments.

	\$
building repairs	1000
carriage on office equipment	200
extension to building	2000
new tyre for van	100
office equipment	4000

What is the total capital expenditure?

- A** \$4300
- B** \$6200
- C** \$6300
- D** \$7000

- 24 Which group contains only revenue receipts?
- A bank loan, rental income, sale of machinery
 B discount allowed, rates, sale of equipment
 C discount received, rates, sales
 D insurance refund, rental income, sales
- 25 What is the purpose of providing for depreciation of fixed assets?
- A to estimate the amount for which the assets may be sold
 B to provide funds for the replacement of assets
 C to show the real value of the assets
 D to spread the cost of assets over their useful lives

- 26 A motor vehicle was purchased for \$10 000 on 1 April 2007. It was decided to depreciate using the straight line method at 20% per annum. Depreciation of \$2000 was included in the profit and loss account for the year ended 31 March 2008.

Which amount will be included for depreciation of motor vehicles in the profit and loss account for the year ended 31 March 2009?

- A \$1600 B \$2000 C \$3600 D \$4000

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

Which entry will the trader make to write off the bad debt?

	account to be debited	account to be credited
A	Ana	bad debts
B	Ana	profit and loss
C	bad debts	Ana
D	sales	Ana

- 28 During year ended 31 December 2008 a trader bought stock at \$10 per unit. He sold each unit for \$20. At 31 December 2008 he had 1000 units in stock of which 100 units were only valued at \$5 each.

What was the total value of stock at 31 December 2008?

- A \$9500 B \$10 000 C \$18 500 D \$20 000

29 Commission receivable is accrued at the end of the financial year.

Where is this shown in the final accounts?

	trading account	profit and loss account	balance sheet
A	✓	✓	✓
B	✓	✓	
C	✓		✓
D		✓	✓

30 A trader provided the following information.

	\$
gross profit	50 000
wages paid	16 000
rent received	1 000
heating and lighting paid	4 000
discount received	500

What was the net profit?

- A** \$28 500 **B** \$29 500 **C** \$30 500 **D** \$31 500

31 Adam and Mary are in partnership.

Adam receives an annual salary of \$8000. The balance of profit is shared equally. The net profit for the year was \$26 000.

What was Mary's total income from the business?

- A** \$9000 **B** \$13 000 **C** \$17 000 **D** \$21 000

32 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

33 How can credit purchases be calculated?

- A closing creditors + payments to creditors – opening creditors
- B closing creditors + payments to creditors + opening creditors
- C closing creditors – payments to creditors – opening creditors
- D closing creditors – payments to creditors + opening creditors

34 A sole trader provided the following information.

	\$
for the year ended 31 December 2008	
net profit	8 000
drawings	5 000
capital introduced	3 000
capital at 31 December 2008	20 000

What was the trader's capital on 1 January 2008?

- A \$10 000
- B \$14 000
- C \$30 000
- D \$31 000

35 Which does **not** appear in a statement of affairs?

- A accruals
- B capital
- C premises
- D sales

36 The following information is extracted from Edward's balance sheet.

	\$
buildings	45 000
goodwill	30 000
machinery	20 000
stock	10 000

What is the value of the tangible fixed assets?

- A \$45 000
- B \$65 000
- C \$85 000
- D \$105 000

37 Which is **not** a current asset?

- A amount owed by a credit customer
- B insurance prepaid
- C rent received in advance
- D short-term loan to employee

38 A business provided the following information.

	\$
capital	35 000
current assets	20 000
current liabilities	10 000
fixed assets	40 000
long term liabilities	15 000

What was the capital employed?

- A \$35 000 B \$45 000 C \$50 000 D \$60 000

39 What is meant by the rate of stock turnover?

- A the average of the opening and closing stocks
- B the number of times average stock is purchased during the year
- C the number of times average stock is sold during the year
- D the value of stock at the end of the financial year

40 The quick ratio of Eric is 1.3 : 1 and the quick ratio of Ken is 0.4 : 1.

What does a comparison of these ratios show?

- A Eric controls his overhead expenses better than Ken.
- B Eric's cost of sales is lower than Ken's.
- C Ken has a lower return on capital employed than Eric.
- D Ken has less liquidity than Eric.