

CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/01**

Paper 1 Multiple Choice

May/June 2003

**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 A trader must record all the financial information about her business if she wants to know the amount of
- A her bank balance.
  - B her debtors.
  - C her drawings.
  - D her profit.

- 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 sales revenue less cost of sales and expenses

- 3 A business had the following assets and liabilities.

	\$
Motor Vehicles	5 000
Stock	16 000
Debtors	4 000
Bank (Dr)	3 000
Creditors	11 000

The owner has now increased his capital in the business by \$4500.

What is the capital now?

- A \$21 500
  - B \$28 000
  - C \$32 500
  - D \$43 500
- 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 What information does the Balance Sheet of a business show?

- A capital
- B expenses
- C gross profit
- D sales

6 The owner's capital is regarded as a liability of the business.

Which accounting principle is being applied?

- A business entity
- B consistency
- C matching
- D realisation

7 Money received from a customer must be recorded in the debtor's account and the bank account.

What accounting principle is being applied?

- A business entity
- B duality
- C matching
- D money measurement

8 Which is an asset in a Balance Sheet?

- A a credit balance on a supplier's account
- B a credit balance on the Bank account
- C a debit balance on a customer's account
- D a debit balance on the Drawings account

9 Where should the cost of sales be entered in the final accounts of a partnership?

- A Appropriation Account
- B Balance Sheet
- C Profit and Loss Account
- D Trading Account

**10** A trader wants his accounts to record his customers' satisfaction with his business.

Which accounting principle prevents this?

- A** business entity
- B** duality
- C** money measurement
- D** realisation

**11** It was discovered that a credit customer had been charged \$76 for a purchase instead of \$67.

Which document will be issued by the seller to correct the error?

- A** credit note
- B** debit note
- C** invoice
- D** statement

**12** Annual sales figures are:

goods \$	trade discount \$	net \$
110 000	16 500	93 500

What should be the credit entry in the Sales account?

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

**13** A seller has allowed a customer a cash discount.

What did the customer do to earn this discount?

- A** agreed to become a regular customer
- B** introduced a new customer to the seller
- C** paid his account within a stated time
- D** placed a large order

14 Where should the total of the purchases returns journal be posted?

- A credit side of the purchases returns account
- B credit side of the cash book
- C debit side of the Trading Account
- D debit side of the purchases returns account

15 Ali receives a cheque from Hassan, a debtor, in payment for goods purchased by Hassan on credit.

Where will Ali enter this payment?

- A cash book and sales ledger
- B cash book and purchases ledger
- C nominal ledger and sales ledger
- D nominal ledger and purchases ledger

16 A shop makes all its sales for cash.

In which book of account does the Sales account appear?

- A cash book
- B nominal ledger
- C sales journal
- D sales ledger

17 Which error affects the balancing of a trial balance?

- A an addition error in the Sales account
- B crediting a purchase to B. Shore's account instead of A. Shaw's account
- C failing to enter a sales invoice in the books
- D posting the purchase of a machine to the debit side of the Purchases account

18 A trial balance agrees, total debits and total credits being \$50 000.

It is now discovered that an insurance payment of \$200 had been wrongly entered in the General Office Expenses account instead of the Insurance account.

What will the trial balance totals be after this error has been corrected?

- A \$49 800
- B \$50 000
- C \$50 200
- D \$50 400

- 19 On 1 June a business sold stock for \$2000 cash and the money was paid into the business's bank account.

What was the overall effect?

	increased	decreased
<b>A</b>	stock	bank
<b>B</b>	bank	stock
<b>C</b>	cash	bank
<b>D</b>	bank	cash

- 20 X's journal shows the following entry.

	DR \$	CR \$
John Brown	300	
Brownjohn Ltd		300
Correction of error		

Both John Brown and Brownjohn are X's debtors.

What error has been corrected?

- A** Goods bought from Brownjohn were wrongly credited to John Brown.  
**B** Goods bought from John Brown were wrongly credited to Brownjohn.  
**C** Goods sold to Brownjohn were wrongly debited to John Brown.  
**D** Goods sold to John Brown were wrongly debited to Brownjohn.
- 21 A difference on a trial balance is entered in a Suspense account. It is found that rent paid of \$250 has been correctly entered in the Rent account but credited to the Bank account as \$520.

Which entries will correct this error?

	debit		credit	
<b>A</b>	Bank account	\$270	Suspense account	\$270
<b>B</b>	Suspense account	\$270	Bank account	\$270
<b>C</b>	Bank account	\$520	Suspense account	\$520
<b>D</b>	Suspense account	\$520	Bank account	\$520

22 The following information relates to a business on 31 October.

	\$
bank account balance in cash book	1600 Dr
unpresented cheques	680
amount not yet credited by bank	560

What is the balance on the bank statement at 31 October?

- A** \$360            **B** \$1480            **C** \$1720            **D** \$2840

23 At 1 January a trader owed wages of \$1000. During the year ended 31 December 2002 wages of \$4000 were paid. At 31 December wages of \$1200 were owed.

How much should have been entered in the Profit and Loss Account for wages for the year ended 31 December 2002?

- A** \$3800            **B** \$4000            **C** \$4200            **D** \$6200

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 Legal costs incurred in the purchase of a business property have been entered in the Legal Expenses account.

What is the effect of this on the final accounts of the business?

	Profit and Loss Account	Balance Sheet
<b>A</b>	Net profit is overstated.	Assets are overstated.
<b>B</b>	Net profit is overstated.	Assets are understated.
<b>C</b>	Net profit is understated.	Assets are overstated.
<b>D</b>	Net profit is understated.	Assets are understated.

26 X purchases a supply of office paper on credit.

How should this transaction be recorded?

	debit	credit
<b>A</b>	office equipment	supplier
<b>B</b>	supplier	office equipment
<b>C</b>	stationery	supplier
<b>D</b>	supplier	stationery

27 Why does a business draw up a trial balance?

- A** to balance off ledger accounts
- B** to calculate profit or loss
- C** to check the arithmetic accuracy of the books
- D** to summarise the sales and purchases ledgers

28 Carriage outwards accrued at the end of a financial year is \$1000.

Where is this shown in the final accounts?

	Trading Account	Profit and Loss Account	Balance Sheet
<b>A</b>	✓	✓	✓
<b>B</b>		✓	✓
<b>C</b>	✓		✓
<b>D</b>	✓	✓	

29 X started a business on 1 January 2002 using rented premises.

At 31 December 2002 X owed \$1400 for rent.

The rent charge to the Profit and Loss Account for the year ended 31 December 2002 was \$6000.

How much was paid for rent during the year?

- A** \$1400
- B** \$4600
- C** \$6000
- D** \$7400



- 30 A vehicle was bought for \$20 000 on 1 January. Two years later the vehicle has a book value of \$10 000. Depreciation was calculated using the straight line method.

What is the annual rate of depreciation?

- A**  $16\frac{2}{3}\%$       **B** 25%      **C**  $33\frac{1}{3}\%$       **D** 50%

- 31 Fatima and Shabnam are in partnership. Fatima has made a loan to the business.

What entry should be made for the loan interest?

	debit	credit
<b>A</b>	Profit and Loss Account	Fatima's Loan account
<b>B</b>	Profit and Loss Account	Fatima's Current account
<b>C</b>	Profit and Loss Appropriation Account	Fatima's Capital account
<b>D</b>	Profit and Loss Appropriation Account	Fatima's Loan account

- 32 A business provides the following information.

	at 1 April 2002 \$	at 31 March 2003 \$
trade creditors	8000	10 000

Payments to creditors in the year ended 31 March 2003 were \$70 000.

What were the credit purchases for the year ended 31 March 2003?

- A** \$60 000      **B** \$62 000      **C** \$68 000      **D** \$72 000

- 33 A sole trader's accounts showed the following details at the year end.

Closing capital was \$20 000 after drawings of \$5000, profit for the year \$8000, and capital introduced during the year of \$3000.

What was the trader's opening capital?

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

34 A sole trader's annual accounts show:

	\$
Opening capital	18 600
Closing capital	16 900
Cash drawings during year	10 100

What is the net profit for the year?

- A** \$1700      **B** \$8400      **C** \$10 100      **D** \$11 800

35 Which transaction will increase the working capital of a business?

- A** payment in cash to a creditor  
**B** purchase of stock on credit  
**C** receipt of a cheque from a debtor  
**D** sale of a fixed asset on credit

36 A business provides the following information.

	\$
Capital employed	100 000
Tangible assets	120 000
Total liabilities	40 000

What is the value of the intangible assets?

- A** \$20 000      **B** \$60 000      **C** \$80 000      **D** \$180 000

37 The following balances have been taken from a trader's books.

	\$
Stock	20 000
Equipment	80 000
Trade debtors	60 000
Trade creditors	35 000
Long term-loan from bank	20 000
Cash at bank	5 000

What is the total of the current assets?

- A** \$80 000      **B** \$85 000      **C** \$165 000      **D** \$220 000

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 The following information is available for a business for a financial year:

	\$
Opening Stock	20 000
Closing Stock	40 000
Purchases	80 000
Sales	240 000

What is the rate of stock turnover for the year?

- A** 1.5 times      **B** 2 times      **C** 3 times      **D** 4 times

40 Sales are \$50 000, expenses are \$10 000 and net profit is 10 % of sales.

What is the gross profit?

- A \$5000      B \$15 000      C \$35 000      D \$45 000