



Cambridge IGCSE™ (9–1)

ACCOUNTING

0985/12

Paper 1 Multiple Choice

May/June 2025

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- There are **thirty-five** 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 35.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

- 1 Rikado left his job as a machine operator to start his own manufacturing business.

Why was he interested in his financial statements at the end of the first year of business?

- A to ascertain the market value of the non-current assets
- B to check if all the transactions had been recorded
- C to find out about job satisfaction among the workers
- D to see if the profit was greater than his previous earnings

- 2 How is owner's equity calculated?

- A total assets – total liabilities
- B total assets + total liabilities
- C current assets – current liabilities
- D non-current assets – non-current liabilities

- 3 Shula's financial year ends on 31 March. On 1 April 2024, there was a credit balance of \$100 on Yasmin's account in Shula's purchases ledger.

What does this mean?

- A Shula had paid \$100 to Yasmin.
- B Yasmin had paid \$100 to Shula.
- C Shula owed \$100 to Yasmin.
- D Yasmin owed \$100 to Shula.

- 4 Which document may be used by a business as proof that an invoice has been paid?

- A credit note
- B paying-in slip
- C petty cash voucher
- D receipt

- 5 Raminder maintains a petty cash book using the imprest system. The monthly imprest of \$250 is restored on the first day of each month.

In January, the petty cashier spent \$105, and received a refund of \$15 from a stationery supplier.

How much was given to the petty cashier on 1 February to restore the imprest?

- A \$90
- B \$105
- C \$145
- D \$160

6 Which statement about cash discounts is **not** correct?

- A Cash discounts are given if payment is made within the time limit set by the supplier.
- B Cash discounts are shown as a reduction from the list price when goods are ordered.
- C Customers will show cash discounts given to them as other income in the income statement.
- D Suppliers will show the cash discounts they give as an expense in the income statement.

7 Ziningi prepared a trial balance. The total of the debit column was \$225 750, and the total of the credit column was \$225 250.

What could explain the difference?

- A The bank overdraft of \$250 was included as a debit balance.
- B Discount allowed of \$500 was included as a debit balance.
- C Purchases returns for \$250 were included as a credit balance.
- D Sales returns of \$500 were included as a debit balance.

8 Michael opened a suspense account when he prepared draft financial statements. He then discovered that purchases of \$68 had been credited to the purchases account as \$86.

Which entry was made in the suspense account when this error was corrected?

- A \$18 credit
- B \$18 debit
- C \$154 credit
- D \$154 debit

9 Sameer calculated that his profit for the year was \$6300. He then found two errors.

- 1 A cheque for \$3250, received from a credit customer, had only been recorded in the cash book.
- 2 The total of the discount allowed column in the cash book, \$300, had been credited to the discount received account.

What was Sameer's corrected profit for the year?

- A \$2450
- B \$2750
- C \$5700
- D \$6000

10 Miguel's cash book showed a debit bank balance of \$4220. He later discovered the following errors.

- 1 A cheque for \$200, issued for the purchase of office equipment, had been recorded in error in the office expenses account.
- 2 Bank charges of \$30 had been recorded in the cash book as \$70.

What was the effect of these errors on his statement of financial position?

	non-current assets (cost)	current assets
A	overstated by \$200	no effect
B	understated by \$200	no effect
C	understated by \$200	overstated by \$30
D	understated by \$200	understated by \$40

11 A trader was reconciling his bank statement with the updated balance of his cash book.

There were unpresented cheques and uncredited deposits. The bank statement did not contain any errors. He started preparing his bank reconciliation statement with the credit balance on the bank statement.

How did he arrive at his updated cash book balance?

- A** by adding both unpresented cheques and uncredited deposits
- B** by subtracting both unpresented cheques and uncredited deposits
- C** by adding unpresented cheques and subtracting uncredited deposits
- D** by subtracting unpresented cheques and adding uncredited deposits

- 12** Mary is a trader. She has a debit balance in the bank column of her cash book. Mary has received her bank statement and needs to update her cash book to record the following items.

- 1 A credit customer, Sam, has settled his account using a credit transfer.
- 2 Mary lets part of her premises to Dennis who has paid his monthly rent by standing order.

The bank balance is **not** overdrawn.

How does recording these items affect the bank balance in Mary's cash book?

	item 1	item 2
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 13** The cash book provides information for which control account item?

- A** discount allowed to credit customers
- B** interest charged on overdue accounts
- C** irrecoverable debts written off
- D** purchases returns

- 14** When Mark started a car repair business, he purchased premises and equipment.

Two years later, he spent \$5000 on building an extension, \$600 on new equipment and \$750 on repainting the original premises.

By how much will the non-current assets increase because of these transactions (ignore depreciation)?

- A** \$5000 **B** \$5600 **C** \$5750 **D** \$6350

- 15** On 1 January 2023, equipment was purchased for \$50 000. The equipment is expected to have a useful life of five years and a residual value of \$10 000. The straight-line method of depreciation is used.

What was the balance on the provision for depreciation of equipment account on 31 December 2024?

- A** \$8000 **B** \$10 000 **C** \$16 000 **D** \$20 000

- 16** Anjum rents part of her premises to Ajay for \$6120 per annum. At the beginning of the year, Ajay had paid two months' rent in advance. At the end of the year, Ajay had paid three months' rent in advance.

How much rent was received from Ajay during the year?

- A** \$3570 **B** \$5610 **C** \$6630 **D** \$8670

- 17** Why does a trader write off money owed by a credit customer as an irrecoverable debt?

- A** because the credit customer has **not** paid their account at the end of the trading period
B because the credit customer has **not** paid their account by the due date
C because the credit customer is no longer buying goods from the trader
D because the credit customer is **not** able to pay their account

- 18** Shilpa's financial year ends on 30 April. On 31 March 2025, she wrote off a debt owed by Tahir as irrecoverable.

Which entry did Shilpa make on 31 March 2025?

	debit	credit
A	income statement	Tahir
B	irrecoverable debts	income statement
C	irrecoverable debts	Tahir
D	Tahir	irrecoverable debts

- 19** Tony has prepared an inventory calculation statement at the end of the financial period.

	cost \$	net realisable value \$
cricket bats	600	750
cricket gloves	400	320
cricket helmets	900	1 200
cricket pads	300	240

What is the value of Tony's inventory?

- A** \$2060 **B** \$2200 **C** \$2510 **D** \$2650

20 Which statement is correct?

- A The income statement is part of the double entry system and shows a trader's financial performance.
- B The income statement is part of the double entry system and shows a trader's financial position.
- C The statement of financial position is part of the double entry system and shows assets and liabilities only.
- D The statement of financial position is part of the double entry system and shows owner's capital only.

21 Draft financial statements prepared at the end of the first year of trading show:

- draft profit for the year of \$24 000
- trade receivables of \$6300.

An amount of \$200 is to be written off as irrecoverable.

A provision for doubtful debts is to be set at 1% of the remaining trade receivables.

What is the revised profit for the year?

- A \$23 737 B \$23 739 C \$23 800 D \$23 939

22 Ann and Bob are in partnership and share profits in the ratio 3 : 2 respectively. Ann is entitled to a salary of \$20 000 per annum. There is no interest on capital or interest on drawings. The profit for the year is \$75 000. Ann's share of the residual profit was \$24 000.

What salary was Bob entitled to?

- A \$13 333 B \$15 000 C \$16 000 D \$31 000

23 What are the advantages to shareholders of operating as a limited company?

- 1 It has a separate legal identity.
 - 2 It makes it easier to prepare financial statements.
 - 3 It makes it quicker to prepare financial statements.
 - 4 It protects personal assets.
- A 1, 2, 3 and 4
 - B 1 and 2 only
 - C 1 and 4 only
 - D 2, 3 and 4 only

- 24** During the year ended 31 March 2025, subscriptions received by a club amounted to \$2500, of which \$120 related to the next financial year. On 31 March 2025, subscriptions accrued amounted to \$280.

What entries would be made in the club's statement of financial position on 31 March 2025?

	current assets \$	current liabilities \$
A	120	280
B	280	120
C	400	no entry
D	no entry	400

- 25** The bank account kept by a sports club shows that subscriptions totalling \$2695 were received during the financial year.

This figure includes arrears of subscriptions owing from last year of \$145. It also includes an outstanding lodgement of subscriptions of \$195.

What amount for subscriptions is included in the receipts and payments account of the sports club?

- A** \$2355 **B** \$2500 **C** \$2550 **D** \$2695
- 26** A tennis club sells refreshments on match days.

At the end of the first accounting period, the receipts and payments account included the following:

	\$
receipts from sales of refreshments	2300
payments to suppliers of refreshments	1400
wages paid	300

Refreshments which were unsold at the end of the year cost \$200.

A bill for refreshments purchased of \$75 had not been paid.

What is the profit from sale of refreshments to be included in the income and expenditure account?

- A** \$600 **B** \$725 **C** \$800 **D** \$875

- 27 A manufacturing business calculated the following amounts for the year ended 30 April 2025.

item	\$
prime cost	360 000
factory overheads	114 850
work in progress at 30 April 2025	7 940
purchase of finished products	1 100

Work in progress at 30 April 2024 was \$8990.

What is the production cost of goods completed for the year ended 30 April 2025?

- A** \$361 050 **B** \$474 800 **C** \$475 900 **D** \$477 000

- 28 Which items are included in the calculation of prime cost in a manufacturing account?

- A** direct and indirect costs
B direct materials cost and direct labour cost only
C direct materials cost only
D direct production costs only

- 29 A manufacturer's work in progress at the start of the year was valued at \$850. At the end of the year it was valued at \$10 200.

What was the effect of this increase on the cost of production and the cost of sales?

	cost of production	cost of sales
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 30** Gustav began a business on 1 January 2023 with \$50 000 capital.

He provided the following information for the year ended 31 December 2024.

	\$
capital opening balance	58 000
additional capital introduced	2 000
drawings for the year	9 880
capital closing balance	60 156

How much profit did Gustav make in 2024?

- A** \$4156 **B** \$8000 **C** \$10 036 **D** \$18 036
- 31** The following information is available at the end of Savid's first year of trading.

	\$
Amount owed by credit customers	9 600
Amount owed to credit suppliers	12 800

Total sales for the year are \$220 000, of which cash sales are \$24 000.

What is the trade receivables turnover in days?

- A** 16 days
B 18 days
C 21 days
D 22 days
- 32** Which statement is a limitation of the comparison of the accounting ratios of different businesses?
- A** Accounting records include a value for the skills of the workforce.
B Businesses may have the same accounting policies.
C Businesses may have different sales prices.
D The available information may **not** relate to a typical year.

- 33** Maluti has a trading business that has a bank overdraft and makes a profit.

Why would the government be most interested in the financial statements of Maluti?

- A** to compile business statistics
- B** to estimate trade payable days for Maluti
- C** to plan remedial action where necessary
- D** to see whether Maluti can repay his debts when due

- 34** Vikram wanted to apply the principle of consistency when accounting for the use of his delivery van.

What did this require?

- A** making the same number of deliveries each year
- B** paying the same amount for repairs each year
- C** providing the same amount of depreciation each year
- D** using the same method of depreciation each year

- 35** Benson wanted to compare his profitability with that of his competitors. However, the completion of his financial statements was significantly delayed due to a fire in the room where the files were kept.

What does this delay affect?

- A** the comparability of the financial statements
- B** the relevance of the financial statements
- C** the reliability of the financial statements
- D** the understandability of the financial statements

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