

International General Certificate of Secondary Education
CAMBRIDGE INTERNATIONAL EXAMINATIONS

ACCOUNTING

0452/1

PAPER 1 Multiple Choice

OCTOBER/NOVEMBER SESSION 2002

1 hour

Additional materials:

Multiple Choice answer sheet

Soft clean eraser

Soft pencil (Type B or HB is recommended)

TIME 1 hour

INSTRUCTIONS TO CANDIDATES

Do not open this booklet until you are told to do so.

Write your name, Centre number and candidate number on the answer sheet in the spaces provided unless this has already been done for you.

There are **forty** questions in 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 very carefully the instructions on the answer sheet.

INFORMATION FOR CANDIDATES

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.

- 1 Which of the following in the Balance Sheet of a business shows the owner how well he is doing?
- A debtors
B drawings
C net profit
D working capital
- 2 X receives a cheque from a customer and pays this into his business bank account.

How does this affect X's current assets?

	bank	debtors
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 3 A business provides the following information for the year ended 30 September 2002.

	\$
sales	100 000
cost of goods sold	60 000
expenses	15 000

What is the net profit for the year ended 30 September 2002?

- A \$ 25 000 B \$ 40 000 C \$ 45 000 D \$ 55 000
- 4 What is a Balance Sheet?
- A a list of all the accounts in the books of a business
B an account showing the trading activities of a business
C an account showing the financial position of a business at a certain date
D a list of assets, liabilities and capital of a business at a certain date

- 5 A business applies the money measurement concept.

Which would be recorded in its accounting records?

- A the benefits of staff training
- B the cost of property owned
- C the effect of new laws
- D the value of the skills of its managers

- 6 What is meant by the realisation concept?

- A Revenue and profit should not be anticipated.
- B Revenue is recognised as being earned when ownership of goods passes to the customer.
- C Similar items should be accounted for in a similar way from one accounting period to the next.
- D Transactions must be expressed in monetary terms.

- 7 A business bought a machine for \$5000 and depreciated it by 20% a year. At the end of Year 2, the total depreciation amounted to \$2000.

Using the concept of consistency, how much is charged for depreciation in Year 3?

- A \$400 B \$600 C \$1000 D \$2000

- 8 A trader has paid insurance in advance at the end of her financial year. She deducted this amount from the insurance paid during the year to calculate the total insurance cost for the year.

Which accounting concept applies?

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

- 9 Which accounting concept requires provision to be made for foreseeable losses?

- A consistency
- B duality
- C prudence
- D realisation

10 Which document from a supplier reduces the amount owed by a customer?

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

11 An invoice for goods for \$1200 has been wrongly entered as a credit note. The balance on the purchases account is \$17 000.

What is the correct balance?

- A \$14 600 B \$15 800 C \$18 200 D \$19 400

12 A shop selling office furniture purchased a desk on credit. The desk was not sold, so the shop decided to use it in its own office.

In which book of prime entry were the adjustments made?

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

13 X returned faulty goods to Y, the supplier.

What are the entries in Y's books?

	debit	credit
A	purchases returns	X
B	X	purchases returns
C	sales returns	X
D	X	sales returns

14 Which ledger account entries are made to record the purchase on credit of a motor vehicle?

	debit	credit
A	creditors	motor vehicles
B	motor vehicles	cash
C	motor vehicles	creditors
D	motor vehicle expenses	creditors

15 Credit notes issued by X are listed in which book of prime entry?

- A** purchases journal
- B** purchases returns journal
- C** sales journal
- D** sales returns journal

16 \$2000 paid for Machinery repairs is entered in the Machinery account.

What kind of error is this?

- A** commission
- B** compensating
- C** original entry
- D** principle

17 In which columns of a trial balance do discounts allowed and discounts received appear?

	debit	credit
A	discounts allowed	discounts received
B	discounts allowed discounts received	
C	discounts received	discounts allowed
D		discounts allowed discounts received

18 The totals of a trial balance are:

Debit \$46 800 Credit \$39 700

The following errors have been discovered:

- 1 Rent received, \$3550, has been included as a debit balance.
- 2 Cash received from K Greener in settlement of a debt of \$2000 has been credited to B Greener.

What will be the corrected trial balance totals?

- A** \$38 150 **B** \$41 250 **C** \$43 250 **D** \$45 250

19 The balance of the Discount Allowed account, \$200, is entered on the wrong side of the trial balance. This is the only error.

Which Suspense account entry will make the trial balance totals agree?

- A** credit \$200
B credit \$400
C debit \$200
D debit \$400

20 A trial balance does not agree and the difference has been entered in a Suspense account. It is then found that a receipt of \$120 from Natasha, a credit customer, has been recorded correctly in the cash book but debited in the Sales account.

What will be the correcting journal entry?

	debit		credit	
A	Natasha	\$120	Suspense	\$120
B	Natasha	\$120	Suspense	\$240
	Sales	\$120		
C	Suspense	\$120	Sales	\$120
D	Suspense	\$240	Natasha	\$120
			Sales	\$120

21 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

- 22** The balance of cash at bank shown in the cash book is \$1200. The bank statement balance to be \$1440.

Which can explain the difference?

- A** payment to a supplier, \$120, entered on the wrong side of the cash book
 - B** bank charges, \$240, not in the cash book
 - C** cheques to suppliers, \$240, not yet presented to the bank
 - D** receipts from customers, \$240, banked but not yet entered in the bank statement
- 23** In connection with stock valuation, what is meant by “net realisable value”?
- A** selling price
 - B** selling price minus estimated profit
 - C** selling price minus selling expenses
 - D** selling price minus estimated trade discount
- 24** On 1 January 1999 X bought a computer for use in his business. He sold the computer on 31 December 2001.

How should the transaction of 31 December be classified?

- A** capital expenditure
 - B** capital receipt
 - C** revenue expenditure
 - D** revenue receipt
- 25** The purchase of fixtures and fittings has been mistakenly entered in the General Expenses account.

What is the effect of this on the final accounts?

	Profit and Loss Account	Balance Sheet
A	profit understated	assets overstated
B	profit understated	assets understated
C	profit overstated	assets overstated
D	profit overstated	assets understated

- 26 What is the purpose of depreciating a fixed asset?
- A to find the value of the asset at the end of its useful life
 - B to estimate the profit on sale at the end of the asset's useful life
 - C to provide money for a replacement at the end of the asset's useful life
 - D to spread the cost of the asset over its expected useful life
- 27 A machine is purchased for \$15 000. It is to be depreciated at 20% per annum using the reducing balance method.

What is the charge for depreciation in the second year?

- A \$2400 B \$3000 C \$5400 D \$6000
- 28 At the end of the financial year, X has prepaid her insurance by \$60.

What action has to be taken to record the correct expense in her final accounts?

	Profit and Loss Account		Balance Sheet	
	increase expenses	decrease expenses	increase current assets	increase current liabilities
A	✓		✓	
B		✓	✓	
C	✓			✓
D		✓		✓

- 29 What is the effect of providing for depreciation?
- A It increases profit.
 - B It reduces profit.
 - C It increases the cash balance.
 - D It extends the life of fixed assets.

30 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

31 In a partnership, Adam has a capital of \$20 000 and Ben \$10 000. Adam receives a salary of \$8 000.

The balance of profit is shared equally. The net profit for the year is \$26 000.

What is Ben's total income from the business?

- A** \$9 000 **B** \$10 000 **C** \$13 000 **D** \$17 000

32 The table shows information relating to a trader at a given date.

	\$
fixed assets at valuation	33 000
stock at cost	8 000
debtors	6 500
cash at bank	7 000
creditors	3 000

What is the trader's capital at that date?

- A** \$44 500 **B** \$51 500 **C** \$54 500 **D** \$57 500

33 The financial year of X ends on 31 December 2001. On 1 May 2001 X paid rent of \$2400 for the period 1 May 2001 to 30 April 2002.

What will be the amount of prepaid rent at 31 December 2001?

- A** nil **B** \$800 **C** \$1600 **D** \$2400

34 Which is an intangible asset?

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

35 Which is a current liability for a business?

- A accrued interest charges on loan from bank
- B provision for depreciation of fixed assets
- C five year loan from bank
- D insurance premium prepaid

36 A trader has 2000 units of stock of which 100 are unsaleable. Each unit costs \$10 and the sale price is \$20.

What is the value of the stock?

- A \$19 000 B \$20 000 C \$38 000 D \$40 000

37 A business provides the following information for the year ended 31 May 2002.

	\$
Sales	200 000
Cost of sales	150 000
Expenses	30 000

What is the percentage of net profit to sales?

- A 10 % B 15 % C 25 % D 60 %

38 The following is extracted from a Balance Sheet.

	\$
fixed assets	80 000
current assets	45 000
total assets	125 000
current liabilities	20 000

What is the working capital?

- A \$15 000 B \$25 000 C \$60 000 D \$105 000

- 39 How is the quick ratio calculated?
- A current assets minus current liabilities
 - B current assets divided by current liabilities
 - C (current assets minus stock) minus current liabilities
 - D (current assets minus stock) divided by current liabilities
- 40 The following information about a business is provided.

	\$
Sales	75 000
Cost of sales	60 000
Opening stock	6 000
Closing stock	9 000

What is the rate of stock turnover?

- A 4 times
- B 5 times
- C 8 times
- D 10 times

