



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

---

**ACCOUNTING**

Paper 1 Multiple Choice

**0452/01**

**May/June 2008**

**1 hour**

Additional Materials:      Multiple Choice Answer Sheet  
                                         Soft clean eraser  
                                         Soft pencil (type B or HB is recommended)

\* 3 3 9 3 3 8 7 1 3 \*

---

**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 Why does the owner of a business calculate profit?

- A to find out how much debtors owe him
- B to find out how much he owes to creditors
- C to know how much money may be taken as drawings without reducing capital
- D to reconcile the cash book balance with the balance on the bank statement

2 Which are assets of a business?

- 1 creditors
- 2 loan from bank
- 3 motor vehicle
- 4 telephone bill prepaid

- A 1, 2 and 3
- B 1 and 3 only
- C 2, 3 and 4
- D 3 and 4 only

3 A sole trader makes a net loss in a financial year.

Where is this shown in his final accounts?

	trading account	profit and loss account	balance sheet
<b>A</b>		✓	✓
<b>B</b>	✓		✓
<b>C</b>	✓	✓	
<b>D</b>	✓	✓	✓

4 What is a balance sheet?

- A a statement of all assets and liabilities on a certain date
- B a statement of all the balances in the ledger accounts on a certain date
- C a statement showing all the receipts and payments for a financial year
- D a statement showing the income and expenditure for a financial year

- 5 What is meant by the business entity principle?
- A All businesses must account for items in the same manner.
  - B All businesses must maintain accounting records.
  - C The business is expected to be able to continue operating.
  - D The financial affairs of a business and its owner are kept separate.
- 6 A business records a transaction in its accounting records as follows.

		\$
debit	purchases account	100
credit	bank account	100

Which accounting principle is being applied?

- A duality
  - B matching
  - C prudence
  - D realisation
- 7 A business applies the money measurement principle.
- 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 manager's skills
- 8 What is an application of the consistency principle?
- A comparing income received with expenses paid for a financial year
  - B providing for all foreseeable losses in the annual accounts
  - C recording income received when goods are delivered to the customer
  - D using the same method of stock valuation each year

- 9 Beth sold goods on credit to Peter. It was later discovered that Peter had been overcharged.

Which document will Beth send to Peter to correct the error?

- A credit note
  - B debit note
  - C invoice
  - D statement
- 10 In which book of prime (original) entry are invoices issued by a trader recorded?
- A purchases journal
  - B purchases returns journal
  - C sales journal
  - D sales returns journal
- 11 Stephen buys 20 items costing \$18 each and receives an invoice showing the amount payable. He returns 5 items and receives a credit note.

Which amount is shown as due on the statement he receives at the end of the month?

- A \$90
  - B \$270
  - C \$360
  - D \$450
- 12 What is cash discount?
- A an allowance given to a customer for paying in cash
  - B an allowance given to a customer for prompt payment
  - C a deduction from the list price of goods bought by a customer
  - D a deduction from the list price of goods for bulk buying by a customer
- 13 On 1 April Mary had a bank overdraft of \$1450. On 2 April she paid \$250 cash into the bank and paid rent, \$390, by cheque.

What is Mary's bank overdraft after the transactions on 2 April?

- A \$810
- B \$1310
- C \$1590
- D \$2090

14 The following is an extract from Jane's sales journal.

2008	goods at list price \$	trade discount \$	goods at net price \$
May 1 K. Smith	400	100	300

How will this sale be recorded in K. Smith's account in Jane's ledger?

- A** \$300 credit    **B** \$300 debit    **C** \$400 credit    **D** \$400 debit

15 Jacob bought goods on credit from Mark.

What is the double entry in Jacob's ledger?

	account to be debited	account to be credited
<b>A</b>	Jacob	purchases
<b>B</b>	purchases	Jacob
<b>C</b>	Mark	purchases
<b>D</b>	purchases	Mark

16 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

17 Which will appear on the credit side of a trial balance?

- A** loan interest paid  
**B** motor vehicles at cost  
**C** rent paid  
**D** sales

- 18 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 arithmetical accuracy of the books
  - D to summarise the sales and purchases ledgers
- 19 James receives payment from a debtor. He debits the debtor's account and credits the bank account.

Which type of error is this?

- A compensating
  - B complete reversal
  - C original entry
  - D principle
- 20 Which would appear on a bank statement?
- A cheques issued but not yet presented
  - B cheques paid but not yet credited
  - C dishonoured cheques
  - D lost cheques
- 21 A trader rents a shop. On 1 January 2007, his rent payable account had a credit balance of \$600. During 2007 he paid \$4000 rent. At 31 December 2007, he owed \$400 rent.

What was the rent payable for the year 2007?

- A \$3600
  - B \$3800
  - C \$4200
  - D \$4400
- 22 Khalid's financial year ends on 30 September. On 1 July 2007 \$2000 was paid for insurance for six months to 31 December 2007.

What will be recorded in Khalid's balance sheet on 30 September 2007?

- A accrual of \$1000
- B prepayment of \$1000
- C accrual of \$2000
- D prepayment of \$2000

23 What is the purpose of depreciating a fixed asset?

- A to estimate the length of the asset's useful life
- B to find the value of the asset at the end of its 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

24 An office machine cost \$8500 and is estimated to have a useful life of four years. Its scrap value at the end of this time is estimated at \$1000.

What is the annual charge for depreciation using the straight-line method?

- A \$1000                  B \$1875                  C \$2125                  D \$2375

25 David owes \$1000 to Parvinder. He pays 90 % of the debt. Parvinder writes off the remaining debt.

What entry will Parvinder make to write off the bad debt?

	account to be debited	\$	account to be credited	\$
<b>A</b>	bad debts	100	David	100
<b>B</b>	David	100	bad debts	100
<b>C</b>	bad debts	900	David	900
<b>D</b>	David	900	bad debts	900

26 Amina lists her current assets in increasing order of liquidity.

In which order will the current assets appear?

- A bank, cash, stock, debtors
- B cash, bank, debtors, stock
- C debtors, stock, bank, cash
- D stock, debtors, bank, cash

27 A trader takes cash drawings from the business.

How will this affect the net profit and the current assets?

	net profit	current assets
<b>A</b>	decrease	no effect
<b>B</b>	increase	no effect
<b>C</b>	no effect	decrease
<b>D</b>	no effect	increase

28 Martin and Sally are in partnership.

In which final account is their net profit calculated?

- A** appropriation account
- B** balance sheet
- C** profit and loss account
- D** trading account

29 Pat and Mike are in partnership. Pat is credited with an annual salary of \$20 000. The balance of the partnership's net profit is shared equally between the partners. The net profit for the year was \$100 000.

What is the total amount credited to Pat's current account for the year?

- A** \$40 000      **B** \$50 000      **C** \$60 000      **D** \$70 000

30 Emily is a trader. She provided the following information on 30 April 2008.

	\$
fixed assets	25 000
current assets	15 000
current liabilities	12 000

Her capital on 1 May 2007 was \$20 000. She did not make any drawings during the year.

What is Emily's net profit for the year ended 30 April 2008?

- A** \$8000      **B** \$23 000      **C** \$32 000      **D** \$48 000



31 Carl does not keep a full set of accounting records. He provides the following information.

	\$
creditors on 1 January 2007	14 000
creditors on 31 December 2007	16 500
payments made to creditors during the year ended 31 December 2007	17 000

What were the credit purchases for the year ended 31 December 2007?

- A** \$14 500      **B** \$16 500      **C** \$17 000      **D** \$19 500

32 A business provides the following information.

	\$
accruals	5 000
bank overdraft	6 000
debtors	20 000
goodwill	7 000
prepayments	3 000
stock	8 000

What is the total of the current assets?

- A** \$31 000      **B** \$33 000      **C** \$37 000      **D** \$38 000

33 Which group contains an intangible asset?

- A** bank, creditors, fixtures  
**B** bank loan, debtors, motor vehicles  
**C** bank overdraft, cash, goodwill  
**D** mortgage, premises, stock

34 Omar's balance sheet included the following.

	\$
fixed assets	45 000
current assets	25 000
current liabilities	10 000
capital	40 000

What is the total of the long term liabilities?

- A** \$20 000      **B** \$30 000      **C** \$50 000      **D** \$60 000

35 A trader provides the following information.

	\$
cost of sales	50 000
gross profit	12 500
expenses	4 500

What is the percentage of gross profit to sales?

- A** 12.8%      **B** 16.0%      **C** 20.0%      **D** 25.0%

36 A business provides the following information.

	\$
fixed assets	55 000
current assets	15 000
current liabilities	10 000
net profit for the year	7 500

What is the return on capital employed (ROCE)?

- A** 10.71%      **B** 12.50%      **C** 13.64%      **D** 15.00%

37 How is the rate of stock turnover calculated?

- A** average stock  $\div$  cost of goods sold  
**B** average stock  $\div$  total sales  
**C** cost of goods sold  $\div$  average stock  
**D** total sales  $\div$  average stock

38 A business provides the following information.

	\$
creditors	28 000
debtors	45 000
five year bank loan	20 000
stock	10 000
bank overdraft	7 000

What is the quick ratio?

- A** 0.82:1      **B** 1.29:1      **C** 1.57:1      **D** 1.86:1

39 A trader wants to improve his gross profit to sales ratio.

How can this be done?

- A** reduce administration costs  
**B** reduce depreciation of equipment  
**C** reduce rate of cash discount allowed  
**D** reduce rate of trade discount allowed

40 The table shows the performance of two businesses, X and Y, in a financial year.

business	gross profit as a % of sales	net profit as a % of sales
X	33.5	8.6
Y	28.0	11.5

What is revealed by comparing the ratios for X and Y?

- A** X controls its overhead expenses better than Y.  
**B** Y controls its overhead expenses better than X.  
**C** X's cost of sales is higher than Y's.  
**D** Y's cost of sales is higher than X's.

**BLANK PAGE**

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.