Cambridge Assessment International Education

Cambridge IGCSE™

ACCOUNTING **0452/12**

Paper 1 Multiple Choice **February/March 2020**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

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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. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has **12** pages. Blank pages are indicated.

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1 Which task would be carried out by a book-keeper but **not** an accountant?

A comparing one year's results with those of previous years

B interpreting the accounting records

C preparing financial statements

D recording transactions in the ledgers and cash book

2 A business provided the following information on 1 February 2019.

	$
non-current assets	75 000
current assets	40 000
current liabilities	25 000

The business made a profit of $10 000 for the year ended 31 January 2020.

The owner did not make any drawings during the year.

What was the capital on 31 January 2020?

A $35 000 **B** $50 000 **C** $70 000 **D** $100 000

3 Dilip is a manufacturer. He purchased a machine on credit from Sachin.

How did Dilip record this?

	account to be debited	account to be credited
A	machinery	Sachin
B	purchases	Sachin
C	Sachin	machinery
D	Sachin	purchases

4 Mui owns a household appliance store. He took home a washing machine for his personal use. Mui recorded this transaction as follows.

account debited	account credited
drawings	sales

Did Mui make the correct entries to record this transaction?

	debit entry	credit entry
A	no	no
B	no	yes
C	yes	no
D	yes	yes

5 The following account appeared in the books of Abdul.

Hanif account

2020		$	2020		$
Jan 18	returns	100	Jan 1	balance b/d	400
31	bank	392	4	purchases	250
	discount	8			
	balance c/d	150			
		650			650

Which statement is correct?

A On 1 January Abdul owed Hanif $400.

B On 4 January Hanif purchased goods, $250, from Abdul.

C On 31 January Abdul allowed Hanif $8 trade discount.

D On 31 January Hanif owed Abdul $150.

6 Which business document contains details of purchases, returns and payments occurring during a trading period?

A credit note

B debit note

C invoice

D statement of account

7 Rashida sells goods on credit and allows her customers a trade discount.

Which statements are correct?

1 A debit entry is made in the customer's account in the sales ledger for the net value of the goods sold.

2 The date of sale, name of the customer, cost price and trade discount are entered in the sales journal.

3 The trade discount is debited to the customer's account and credited to the discount allowed account.

A 1 and 2 **B** 1 and 3 **C** 2 only **D** 2 and 3

8 The totals of a trial balance agreed but it was found that the purchase of office equipment had been debited to office expenses account.

Which type of error has been made?

A commission

B compensating

C original entry

D principle

9 On 31 January, Somraj's bank statement showed a credit balance of $740. Comparing the bank statement with the cash book he found the following.

	$
bank charges not recorded in the cash book	30
cheque paid but not presented to the bank	150

Somraj updated his cash book as required.

What was the updated cash book balance on 31 January?

A $590 **B** $620 **C** $860 **D** $890

10 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?

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

11 A farmer sold a piece of land at market value.

How should the proceeds of this sale be treated?

A as a capital receipt

B as a revenue receipt

C as capital expenditure

D as revenue expenditure

12 Why should a trader provide for the depreciation of a non-current asset?

1 to match the cost against the revenue of the years which benefit from the use of the asset

2 to provide a cash fund to enable the asset to be replaced at the end of its useful life

3 to recognise that most non-current assets lose value with the passage of time

4 to spread the cost of the asset over its expected working life to avoid overstating profit

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

13 Equipment costing $20 000 was purchased on 1 January 2019. It has a useful working life of 5 years and a residual value of $3000. Depreciation using the straight-line method was included in the income statement for the year ended 31 December 2019.

It was then found that the reducing balance method at 30% per annum should have been used.

What was the effect on the profit for the year ended 31 December 2019 of this error?

A $2000 overstated

B $2000 understated

C $2600 overstated

D $2600 understated

14 A business provided the following information about two expenses.

	1 January 2019 $	amount paid during year ended 31 December 2019 $	31 December 2019 $
electricity	240 accrued	1500	360 accrued
insurance	180 prepaid	1200	220 prepaid

Which amounts will be charged to the income statement for the year ended 31 December 2019?

	electricity $	insurance $
A	900	800
B	1380	1240
C	1620	1160
D	2100	1600

15 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

16 A business maintains a provision for doubtful debts of 5% of trade receivables. The balance on the provision for doubtful debts account on 31 December 2018 was $2700.

On 31 December 2019 the trade receivables amounted to $50 000.

How will the provision for doubtful debts be recorded on 31 December 2019?

	provision for doubtful debts account	$	income statement	$
A	credit	200	added to gross profit	200
B	credit	200	deducted from gross profit	200
C	debit	200	added to gross profit	200
D	debit	200	deducted from gross profit	200

17 At the end of the financial year Cindy valued her inventory at cost. This valuation incorrectly included damaged goods costing \$300. Cindy estimated these goods could be sold for \$100.

What is the effect of **correcting** the inventory valuation?

	gross profit	profit for the year	current assets
A	decreases by \$200	decreases by \$200	decrease by \$200
B	decreases by \$300	decreases by \$300	decrease by \$300
C	increases by \$100	increases by \$100	decrease by \$100
D	increases by \$200	increases by \$200	decrease by \$200

18 Hassan had the following assets on 31 January 2020.

	\$
premises	12 000
inventory	500
balance at bank	360
goodwill	3 000
cash	120

There were no liabilities on 31 January 2020.

Which entries will be made in Hassan's statement of financial position on 31 January 2020?

	intangible assets \$	non-current assets \$	current assets \$	capital \$
A	nil	12 000	980	12 980
B	nil	15 000	480	15 480
C	3000	12 000	980	15 980
D	3000	15 000	480	18 480

19 AB Stores had the following transactions.

1 The owner invested a further \$20 000 capital.

2 \$2000 was paid to trade payables.

3 A long-term loan of \$5000 was repaid.

By how much would the working capital increase after these transactions?

A \$13 000 **B** \$15 000 **C** \$20 000 **D** \$27 000

20 The balances in the books of a business included the following.

	$
goodwill	10 000
premises	25 000
trade receivables	9 500
trade payables	6 000
inventory	15 000
cash at bank	500 debit
long-term loan	5 000

What was the capital employed?

A $50 000 **B** $54 000 **C** $60 000 **D** $65 000

21 What is a **disadvantage** of operating a business as a partnership?

A Partners may not agree on how to run the business.

B Partners may not have the same skills.

C The financial statements must be published.

D The risks and responsibilities are shared.

22 What does **not** affect the total equity of a limited company?

A issue of ordinary shares

B ordinary share dividend paid

C profit for the year

D transfer from retained earnings to general reserve

23 What is called-up share capital?

A the amount received by the company for issued shares

B the amount requested from shareholders by the company

C the value of shares the company could issue

D the value of shares actually issued by the company

24 A limited company provided the following information.

	$
issued share capital (50 000 ordinary shares of $1 each)	50 000
profit for the year ended 31 December 2019	13 000
transfer to general reserve on 31 December 2019	6 000
interim ordinary share dividend paid during the year	3 000

On 31 December 2019 it was decided to use the remaining profit to pay a final ordinary share dividend.

What percentage final dividend would the ordinary shareholders receive?

A 8% **B** 14% **C** 20% **D** 26%

25 A cricket club set up a snack bar on 1 January 2019.

The following information is available.

	$
for the year ended 31 December 2019	
receipts from sales of snacks	3250
cost of purchases of snacks	2500
wages of snack bar assistant	250
at 31 December 2019	
cost of snacks unsold	520

What was the profit made by the snack bar?

A $500 **B** $750 **C** $1020 **D** $1270

26 A social club had the following assets and liabilities.

	$
non-current assets	6550
cafe expenses owing	25
subscriptions owing by members	50
balance at bank	500 debit
owing to credit suppliers	300
cafe inventory	500

What was the accumulated fund?

A $6275 **B** $6325 **C** $7175 **D** $7275

27 A manufacturing business provided the following information for the year ended 30 November 2019

	$
factory supervisor's salary	25 000
factory power	5 000
machinery depreciation	11 000
machinery operators' wages	29 000
raw materials consumed	82 000

What was the total of the direct costs?

A $111 000 **B** $116 000 **C** $127 000 **D** $152 000

28 What would be included in the statement of financial position of a manufacturing business but **not** a wholesale business?

A cash

B office equipment

C trade receivables

D work in progress

29 The average inventory of a business was $40 000. The rate of inventory turnover was 5 times a year. Mark-up was 20%.

What was the revenue for the year?

A $160 000 **B** $200 000 **C** $240 000 **D** $250 000

30 Sumit does not maintain a full set of accounting records.

What does Sumit **not** need to calculate his credit sales?

A customer's dishonoured cheque

B discounts allowed

C discounts received

D returns from credit customers

31 Jake had current liabilities of trade payables and had current assets of inventory, trade receivables and cash at bank.

Which measure would improve his current ratio?

A buying additional inventory and paying in cash

B decreasing drawings

C revaluing non-current assets

D selling inventory on credit rather than for cash

32 Flo and Mo are traders selling similar goods at similar prices. They provided the following information.

	Flo	Mo
gross margin	50%	40%
profit margin	10%	8%

Which trader has better control of cost of sales and expenses?

	costs of sales	expenses
A	Flo	Flo
B	Flo	Mo
C	Mo	Flo
D	Mo	Mo

33 Which is an application of the materiality principle?

A always using the straight-line method when depreciating assets

B buying raw materials on credit rather than paying immediately

C charging the cost of light bulbs and batteries to operating expenses

D recording goods sold only when its legal title passes to the buyer

34 Which accounting principle states that revenue should **not** be recorded before it is earned?

A consistency

B matching

C money measurement

D realisation

35 Which accounting objective requires that financial statements are free from bias and errors?

A comparability

B relevance

C reliability

D understandability