



# Cambridge IGCSE™

## ACCOUNTING

0452/12

Paper 1 Multiple Choice

October/November 2020

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. 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.



- 1 A trader prepares financial statements each year.

What do these assist the trader to do?

- A calculate the amount owing to credit suppliers
- B calculate the cash drawings
- C check the bank statement balance
- D make decisions about the future

- 2 What is **not** an example of a book-keeping entry?

- A an entry made in the bank column of the cash book for a cheque received
- B cost of goods purchased on credit entered in the supplier's account
- C expenses paid during the year entered in the income statement
- D goods returned by a customer entered in the sales returns journal

- 3 The following balances appeared in Hussein's books.

|                   | \$   |
|-------------------|------|
| fixtures          | 6000 |
| inventory         | 3300 |
| trade receivables | 3000 |
| trade payables    | 4500 |
| other receivables | 500  |
| other payables    | 300  |
| loan to Imran     | 1000 |
| bank overdraft    | 1400 |

What was the total of the liabilities?

- A \$4800      B \$6200      C \$6400      D \$7200

- 4 What does the owner's equity consist of?

- A the amount of money in the business bank account
- B the amount owed by the business to the owner
- C the total of the assets owned by the business
- D the total of the current assets less the current liabilities

- 5 Which entries did Sally make to record the following transaction?

Rashid, a credit customer, returned damaged goods.

|          | account to be debited | account to be credited |
|----------|-----------------------|------------------------|
| <b>A</b> | purchase returns      | Rashid                 |
| <b>B</b> | Rashid                | purchase returns       |
| <b>C</b> | sales returns         | Rashid                 |
| <b>D</b> | Rashid                | sales returns          |

- 6 The following account appeared in the books of Mary.

Paul account

|                     | \$         |                  | \$         |
|---------------------|------------|------------------|------------|
| April 1 balance b/d | 90         | April 21 returns | 25         |
| 14 sales            | 150        | 30 bank          | 88         |
|                     |            | discount         | 2          |
|                     |            | balance c/d      | 125        |
|                     | <u>240</u> |                  | <u>240</u> |

Which statement is correct?

- A** On 1 April Paul owed Mary \$90.  
**B** On 14 April Paul sold goods, \$150, to Mary.  
**C** On 21 April Mary returned goods, \$25, to Paul.  
**D** On 30 April Mary owed Paul \$125.
- 7 In which sections of Zamir's ledger would the following accounts be maintained?
- the sales account
  - the account of Harjit, a trade receivable

|          | sales account            | Harjit account   |
|----------|--------------------------|------------------|
| <b>A</b> | nominal (general) ledger | purchases ledger |
| <b>B</b> | nominal (general) ledger | sales ledger     |
| <b>C</b> | purchases ledger         | sales ledger     |
| <b>D</b> | sales ledger             | purchases ledger |

- 8 Sue allows 2% cash discount to credit customers who settle their account within 28 days. Jane purchased goods, list price \$200, on 10 September. She returned these goods on 15 September.

Which entry would Sue make on 15 September?

- A purchases returns journal \$196  
 B purchases returns journal \$200  
 C sales returns journal \$196  
 D sales returns journal \$200
- 9 A transaction was posted to the wrong account of the same class.

Which type of error was made?

- A commission  
 B original entry  
 C principle  
 D reversal
- 10 Motor vehicle expenses, \$50, were incorrectly debited to the motor vehicles account.

Which journal entry corrects this error?

|          |                                                       | debit<br>\$ | credit<br>\$ |
|----------|-------------------------------------------------------|-------------|--------------|
| <b>A</b> | motor vehicle expenses<br>motor vehicles              | 50          | 50           |
| <b>B</b> | motor vehicles<br>motor vehicle expenses              | 50          | 50           |
| <b>C</b> | motor vehicles expenses<br>motor vehicles<br>suspense | 50<br>50    | 100          |
| <b>D</b> | suspense<br>motor vehicles expenses<br>motor vehicles | 100         | 50<br>50     |

- 11** Kate calculated her draft profit for the year at \$28 400.

She later discovered the following errors.

- 1 Rent prepaid by Kate was understated by \$1000.
- 2 Closing inventory was understated by \$1500.

What was the correct profit for the year?

- A** \$25 900      **B** \$27 900      **C** \$28 900      **D** \$30 900

- 12** A trader's bank statement showed a credit balance of \$2940. The following items had not been entered in the cash book.

|                        | \$  |
|------------------------|-----|
| bank interest received | 70  |
| credit transfer        | 280 |

What was the debit balance in the cash book before it was updated?

- A** \$2590      **B** \$2730      **C** \$3150      **D** \$3290

- 13** What is a purpose of preparing a sales ledger control account?

- A** to identify irrecoverable debts  
**B** to make fraud more difficult  
**C** to provide the total owed to trade payables  
**D** to show the total of cash and credit sales

- 14** George is preparing his purchases ledger control account.

Which information would he obtain from his general journal?

- A** contra entries with the sales ledger  
**B** goods returned to credit suppliers  
**C** irrecoverable debts written off  
**D** refunds received from credit suppliers

- 15** A trader debited the cost of repairing office equipment to the office equipment account.

How did this error affect the financial statements?

|          | profit for the year | non-current assets |
|----------|---------------------|--------------------|
| <b>A</b> | overstated          | overstated         |
| <b>B</b> | overstated          | understated        |
| <b>C</b> | understated         | overstated         |
| <b>D</b> | understated         | understated        |

- 16** Rashid provided the following information at 31 December.

|                                         | \$     |
|-----------------------------------------|--------|
| machinery at cost                       | 52 000 |
| provision for depreciation of machinery | 23 000 |

Depreciation for the year is calculated at 20% on cost.

After the statement of financial position was prepared it was found that the machinery repairs costing \$2000 had been debited to the machinery account.

What is the correct balance on the provision for the depreciation of machinery account?

- A** \$21000      **B** \$22600      **C** \$23400      **D** \$25000

- 17** A machine which cost \$32 000 was sold for \$14 000. The total depreciation at the date of disposal was \$15 000.

What was the profit or loss on disposal?

- A** \$3000 profit  
**B** \$3000 loss  
**C** \$18 000 profit  
**D** \$18 000 loss

- 18** Beena maintains a provision for doubtful debts of 3% of the trade receivables at the end of each financial year.

On 1 September 2019 the provision for doubtful debts was \$900.

On 31 August 2020 the trade receivables amounted to \$42 800.

Which journal entry did Beena make on 31 August 2020?

|          |                                                  | debit<br>\$ | credit<br>\$ |
|----------|--------------------------------------------------|-------------|--------------|
| <b>A</b> | income statement<br>provision for doubtful debts | 384         | 384          |
| <b>B</b> | income statement<br>provision for doubtful debts | 1284        | 1284         |
| <b>C</b> | provision for doubtful debts<br>income statement | 384         | 384          |
| <b>D</b> | provision for doubtful debts<br>income statement | 1284        | 1284         |

- 19** Nirmal sells two products, product G and product H.

The following information is available about his inventory at the end of the financial year.

| product | number<br>of units | cost price<br>per unit | net realisable<br>value per unit |
|---------|--------------------|------------------------|----------------------------------|
| G       | 1000               | \$2.00                 | \$2.50                           |
| H       | 800                | \$1.50                 | \$1.20                           |

It was found that 100 units of product G were damaged and were unsaleable.

What was the total value of Nirmal's inventory?

- A** \$2760      **B** \$3000      **C** \$3260      **D** \$3460

- 20** What is **not** a service business?

- A** hairdressing salon  
**B** accountant's practice  
**C** supermarket  
**D** computer repair shop

- 21** The financial year of Peter ends on 30 September. On 1 August 2020 Peter received rent \$1000. This covered the period from 1 July to 30 November 2020.

Which entry will be made in Peter's statement of financial position on 30 September 2020?

- A** current asset \$400
- B** current asset \$500
- C** current liability \$400
- D** current liability \$500

- 22** In addition to a share of the profit a partner receives interest on capital, a salary and is charged interest on drawings.

How are these recorded in the ledger accounts of the partner?

|          | interest on capital    | salary                 | interest on drawings   |
|----------|------------------------|------------------------|------------------------|
| <b>A</b> | credit capital account | credit current account | debit capital account  |
| <b>B</b> | credit current account | debit capital account  | credit current account |
| <b>C</b> | credit current account | credit current account | debit current account  |
| <b>D</b> | debit current account  | debit current account  | credit current account |

- 23** A sports club provided the following information.

|                                | \$     |
|--------------------------------|--------|
| subscriptions for the year     | 26 800 |
| profit on sale of refreshments | 4 200  |
| depreciation                   | 1 500  |
| rent and insurance             | 12 600 |
| wages                          | 3 200  |

What was the total income for the year?

- A** \$15 800
- B** \$17 300
- C** \$22 600
- D** \$31 000

- 24** A club was formed on 1 July 2019.

During the year ended 30 June 2020 subscriptions received from members totalled \$2500.

This included \$120 paid in advance for the next financial year. Subscriptions outstanding on 30 June 2020 amounted to \$280.

How much was recorded for subscriptions in the income and expenditure account for the year ended 30 June 2020?

- A** \$2100                      **B** \$2500                      **C** \$2660                      **D** \$2780

- 25** Anthony does not keep a full set of accounting records. He knows his opening and closing cash balances and wishes to calculate his cash sales.

Which item does Anthony **not** need in order to calculate his cash sales?

- A** cash banked  
**B** cash discount  
**C** cash drawings  
**D** cash expenses

- 26** A trader has not maintained a full set of accounting records.

How can she calculate the credit sales for the year?

- A** receipts from credit customers + closing trade receivables – discount allowed – opening trade receivables  
**B** receipts from credit customers – closing trade receivables + discount allowed + opening trade receivables  
**C** receipts from credit customers – closing trade receivables – discount allowed + opening trade receivables  
**D** receipts from credit customers + closing trade receivables + discount allowed – opening trade receivables

- 27** A trader made the following forecasts for the business for the next financial year.

|                            |          |
|----------------------------|----------|
| average inventory          | \$80 000 |
| rate of inventory turnover | 6 times  |
| mark-up                    | 25%      |

What are the forecast sales for the next financial year?

- A** \$360 000                      **B** \$480 000                      **C** \$576 000                      **D** \$600 000

**28** A company provided the following information about its current ratio.

|        |         |
|--------|---------|
| year 1 | 2.3 : 1 |
| year 2 | 2.4 : 1 |
| year 3 | 2.5 : 1 |

What would explain the changes in the ratio?

- A** Inventory is decreasing.
- B** Other payables are increasing.
- C** Other receivables are increasing.
- D** Trade receivables are decreasing.

**29** A trader wants to improve his gross margin.

How can this be done?

- A** Reduce administrative expenses.
- B** Reduce depreciation of equipment.
- C** Reduce rate of cash discount allowed.
- D** Reduce rate of trade discount allowed.

**30** Meesha provided the following information for her first year of trading.

|                                           | \$     |
|-------------------------------------------|--------|
| sales (1000 units at \$10 each)           | 10 000 |
| cost of sales (1000 units at \$4.50 each) | 4 500  |
| gross profit                              | 5 500  |

In her second year of trading, Meesha reduced the selling price and sold 1500 units. Her gross profit decreased by \$250. There was no change in the cost per unit.

What was the total value of sales in the second year of trading?

- A** \$9750
- B** \$10 250
- C** \$12 000
- D** \$12 500

- 31** AB Limited and CD Limited both started business on 1 January 2019 with an ordinary share capital of \$100 000. Neither company had any debentures or loans.

Both companies had the same profit in 2019.

Only AB Limited paid a dividend.

The return on capital employed (ROCE) was calculated using closing capital employed.

Which statement about AB Limited's ROCE is correct when compared to that of CD Limited?

- A** It is higher because the dividend reduced retained earnings.
- B** It is lower because the dividend reduced capital employed.
- C** It is lower because the dividend reduced the profit for the year.
- D** It is the same as that of CD Limited.
- 32** Which interested party uses the financial statements of a business to assess current performance and plan for future activities?
- A** banks
- B** employees
- C** government
- D** managers
- 33** The special skills of the employees are not recorded in the financial statements of a business.
- Which accounting principle is being applied?
- A** historic cost
- B** materiality
- C** money measurement
- D** realisation

- 34** How can a business comply with the accounting principle of prudence?

|          | assets             | losses             |
|----------|--------------------|--------------------|
| <b>A</b> | avoid overstating  | avoid overstating  |
| <b>B</b> | avoid overstating  | avoid understating |
| <b>C</b> | avoid understating | avoid overstating  |
| <b>D</b> | avoid understating | avoid understating |

- 35** What is **not** an aim of international accounting standards?
- A** to ensure accounting standards in different countries agree
  - B** to establish an organisation to set standards in every country
  - C** to make it easier to compare companies' financial statements
  - D** to reduce the variety of accounting practices worldwide

---

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.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at [www.cambridgeinternational.org](http://www.cambridgeinternational.org) after the live examination series.

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