Cambridge Assessment International Education

Cambridge IGCSE™

ACCOUNTING **0452/12**

Paper 1 Multiple Choice **February/March 2022**

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.

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1 What is prepared by a book-keeper?

A appropriation account

B cash book

C income statement

D statement of financial position

2 Which item is an asset?

A an amount owing by credit customers

B an amount owing to credit suppliers

C interest accrued on bank loan

D rent received in advance from tenant

3 Fatima required additional finance for her business and borrowed funds from Ali. This was deposited into the business bank account.

How should Fatima record this?

	account to be debited	account to be credited
A	bank	Ali (loan)
B	bank	Ali (trade payable)
C	Ali (loan)	bank
D	Ali (trade payable)	bank

4 On 1 March, a business owed its suppliers $9500. During March, the following transactions took place.

	$
goods purchased on credit	10 000
goods returned to suppliers	200
cheques paid to suppliers	8 900
cash discounts received	100

How much did the business owe its suppliers on 31 March?

A $800 **B** $1000 **C** $10 300 **D** $10 500

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

A credit note

B debit note

C invoice

D statement of account

6 What is recorded in a petty cash book?

A all cash transactions

B cash purchases and expenses only

C purchases of all small value items

D small cash transactions

7 Jacob settled the account of Ahmed, a credit supplier. He made the following entries on the credit side of his cash book.

	discount $	cash $	bank $
Ahmed	5		195

Which entries did Jacob make on the debit side of Ahmed's account?

		$
A	bank	195
B	bank	200
C	bank discount allowed	195 5
D	bank discount received	195 5

8 The total of the debit column of a trial balance was more than the total of the credit column.

One account balance had been entered in the wrong column.

Which one was it?

A cash

B discount received

C drawings

D irrecoverable debts

9 Davi prepared the following journal entry to correct an error.

	debit $	credit $
Samir	40	
Samuel		40

Which error was being corrected?

A Cash paid to Samir had been credited to Samuel.

B Cash received from Samuel had been debited to Samir.

C Goods bought from Samir had been credited to Samuel.

D Goods sold to Samir had been debited to Samuel.

10 A suspense account was opened with a credit balance of $840.

Which error caused this?

A A cheque for $420 received from a customer was debited to his account.

B Discounts allowed, $420, was debited twice in the discounts allowed account.

C Goods costing $420, taken by the owner of the business for own use, were credited to his drawings account.

D Rent received, $420, was credited twice in the rent receivable account.

11 A trader calculated her profit for the year at $14 800. The following errors were then discovered.

No entry had been made for $200 wages accrued.

The insurance expense included a prepayment of $90.

What is the correct profit for the year?

A $14 510 **B** $14 690 **C** $14 910 **D** $15 090

12 Jack's cash book showed an overdrawn balance at bank of $2600. Comparing the cash book with the bank statement, it was discovered that direct debits of $200 had not yet been recorded by Jack. He then updated his cash book.

What was the bank balance in Jack's updated cash book?

A $2400 credit

B $2400 debit

C $2800 credit

D $2800 debit

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13 Which item is debited in a sales ledger control account?

A cash discount

B contra entry

C interest on overdue account

D provision for doubtful debts

14 Leroy provided the following information for May.

		$
May 1	balance owing to credit suppliers	420
31	credit purchases	590
	returns to credit suppliers	110
	cheques paid to credit suppliers	291
	discount received from credit suppliers	9
	interest charged by a credit supplier	5

What was the balance on his purchases ledger control account on 1 June?

A $595 **B** $605 **C** $613 **D** $623

15 Which item should be treated as capital expenditure?

A the annual depreciation on office premises

B the cost of building an office extension

C the cost of repairing office equipment

D the purchase of a new computer for resale

16 On the last day of the financial year, Khalid purchased office fittings, $900. This was incorrectly recorded as office expenses, $90.

Khalid does not charge depreciation in the year of purchase.

What was the effect on the profit for the year?

A overstated by $810

B overstated by $990

C understated by $90

D understated by $900

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17 Aggie is a trader. She uses the following methods of depreciation for different types of non-current asset.

straight-line at 20% per annum

reducing balance at 25% per annum

revaluation

On 1 January year 1, Aggie purchased small items of equipment costing a total of $2400 and fittings costing $8000.

On 31 December year 2, Aggie estimated that the equipment was worth 70% of its original cost.

The statement of financial position showed the net book value of equipment as $1680 and fittings as $4800.

Which depreciation methods has Aggie used?

	equipment	fittings
A	reducing balance	straight-line
B	revaluation	reducing balance
C	revaluation	straight-line
D	straight-line	revaluation

18 Abeo prepares financial statements to 31 December each year.

Abeo bought machinery for $40 000 on 1 January year 1. He charges depreciation on machinery at 20% per annum using the reducing balance method. Depreciation is charged in the year of purchase but not in the year of disposal.

On 1 January year 3, the machinery was sold for $22 000.

Which journal entry records the profit or loss on disposal of the machine?

		debit $	credit $
A	disposal of machinery income statement	2000	 2000
B	disposal of machinery income statement	3600	 3600
C	income statement disposal of machinery	2000	 2000
D	income statement disposal of machinery	3600	 3600

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19 Why would a business record the amount owing by a credit customer as an irrecoverable debt?

A The customer has gone out of business.

B The customer has liquidity problems.

C The customer is making a loss.

D The customer is not satisfied with the goods.

20 Anji maintains a provision for doubtful debts at 5% of the trade receivables at the end of each financial year. At the start of the financial year, the trade receivables were $2000. At the end of the financial year, the trade receivables were $4500.

Which entry would be made in the income statement for the financial year?

A $125 as an expense

B $125 as an income

C $325 as an expense

D $325 as an income

21 Which businesses do **not** prepare a trading account section of an income statement?

1 furniture store

2 insurance company

3 newsagent

4 toy shop

5 window-cleaner

A 1 and 2 **B** 2 and 5 **C** 3 and 4 **D** 3 and 5

22 A business provided the following information.

	$
current assets	25 000
current liabilities	12 000
non-current assets	18 000
non-current liabilities	21 000

What was the capital of the business?

A $10 000 **B** $22 000 **C** $31 000 **D** $43 000

23 A trader bought a machine for use in the business. He paid a part of the cost in cash and agreed to pay the remaining part in 15 months' time.

In addition to the non-current assets, which items in the statement of financial position will **increase** as a result of this transaction?

	current assets	current liabilities	non-current liabilities
A	✓	✓	✓
B	✓	✗	✓
C	✗	✓	✗
D	✗	✗	✓

24 What is the purpose of a partnership appropriation account?

A to calculate partners' salaries

B to record partners' drawings

C to show the distribution of profits between partners

D to show the movement on partners' capital accounts

25 James is a partner in a business. He made a loan to the business and received loan interest.

What is the double entry in the books of the partnership for the loan interest James has received?

	debit	credit
A	bank account	James current account
B	interest on loan account	bank account
C	interest on loan account	James current account
D	James current account	bank account

26 A limited company whose capital consisted of ordinary shares ceased trading and was not able to pay its debts.

Which statement is correct?

A Shareholders would have to pay a proportion of the debt based on the number of shares owned.

B Shareholders would have to pay a proportion of the debt based on the value of shares owned.

C Shareholders would have to sell their personal possessions to pay the debts of the company.

D Shareholders would lose the money that was paid when the shares were first purchased.

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27 A limited company was formed on 1 June 2021.

On that date, the company issued 500 000 $1 shares. Shareholders were asked to pay 60% of the cost immediately, with the remainder being payable by 1 June 2022.

By 1 August 2021, all shareholders had paid what was due at that date.

What was the share capital of the company on 1 August 2021?

	called-up capital $	paid-up capital $
A	200 000	300 000
B	300 000	300 000
C	500 000	300 000
D	500 000	500 000

28 There are 120 members of a sports club. The annual subscription is $60.

At the beginning of the year, no members had paid in advance and no members had subscriptions outstanding.

At the end of the year, 7 members had not paid and 3 members had paid in advance.

Which amount was shown for subscriptions in the income and expenditure account?

A $6600 **B** $6960 **C** $7200 **D** $7800

29 What is shown in a manufacturing account?

1 cost of material consumed

2 purchases of finished goods

3 cost of production

4 cost of sales

A 1 and 2 only

B 1 and 3 only

C 1, 2 and 3 only

D 1, 2, 3 and 4

30 Tarek produced a statement of affairs at 31 December year 1 and at 31 December year 2.

During year 2, his long-term loan increased by $3000 and his net current assets decreased by $1000. Depreciation for the year was $500.

By how much did the total of Tarek's capital decrease?

A $2500 **B** $3500 **C** $4000 **D** $4500

31 Wayne provided the following information.

	$	$
revenue		12 800
opening inventory	1 000	
purchases	10 500	
	11 500	
closing inventory	1 600	9 900
gross profit		2 900

What was Wayne's gross profit margin?

A 22.66% **B** 25.22% **C** 27.62% **D** 29.29%

32 A trader provided the following information for the year ended 31 December.

	$
total cash and credit purchases of goods for re-sale	150 000
cash purchases of goods for re-sale	17 000
credit purchases of non-current assets	25 000

His trade payables at that date were $8000.

What was the trade payables turnover?

A 17 days

B 20 days

C 22 days

D 24 days

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33 A trader decided to reduce her level of inventory in order to reduce the storage costs.

Sales quantity and selling price were **not** affected.

How did this affect profit for the year and the rate of inventory turnover?

	profit for the year	rate of inventory turnover
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

34 Azim and Bashir are both sole traders. They provided the following information.

	Azim $	Bashir $
profit for the year ended 31 December before interest	17 200	15 000
long-term loan at 31 December	–	12 500
capital at 31 December	86 000	25 000

What was Azim's return on capital employed?

A double Bashir's

B half of Bashir's

C one-third of Bashir's

D three times Bashir's

35 Stephanie's major competitor has invested in a new machine for making goods more cheaply. Stephanie knows this will affect her sales but did not record this in her accounting records.

Which accounting principle is Stephanie applying?

A going concern

B materiality

C money measurement

D prudence

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