Cambridge Assessment International Education

# Cambridge IGCSE™

**ACCOUNTING** **0452/13**

Paper 1 Multiple Choice **May/June 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.


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**1** Which are examples of book-keeping?

1 entering details of a cheque received from a customer in a cash book

2 entering details of goods purchased on credit in a purchases journal

3 producing an income statement to calculate the profit for the year

4 recording details of credit sales in the account of a credit customer

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

**2** How does a trader use the information provided by financial statements?

**A** to calculate the amount of cash drawings taken

**B** to calculate the amount that is owed by trade receivables

**C** to check the balance shown on a bank statement

**D** to compare the business performance over a number of years

**3** A trader bought new fixtures. He paid half of the purchase price in cash and agreed to pay the balance in two months' time.

How does this purchase affect the accounting equation?

| | assets | owner's equity | liabilities |
|---|---|---|---|
| **A** | decrease | decrease | no effect |
| **B** | decrease | no effect | increase |
| **C** | increase | decrease | increase |
| **D** | increase | no effect | increase |

**4** On 2 April Nina received a cheque from Zaffar, a credit customer. On 12 April the cheque was returned unpaid by the bank.

What entry would Nina make on 12 April?

| | account to be debited | account to be credited |
|---|---|---|
| **A** | irrecoverable debts | bank |
| **B** | irrecoverable debts | Zaffar |
| **C** | provision for doubtful debts | Zaffar |
| **D** | Zaffar | bank |

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**5** Ann is a trader. On 1 April Cindy's account in Ann's ledger showed a credit balance of $520. The following transactions took place during April.

April 2 Ann returned goods, $30, to Cindy.

14 Ann bought goods, $210, from Cindy, and paid in cash.

Which statement about the balance on Cindy's account in Ann's ledger on 30 April is correct?

**A** Ann owes Cindy $490.

**B** Ann owes Cindy $700.

**C** Cindy owes Ann $490.

**D** Cindy owes Ann $700.

**6** Goods bought on credit by Tumelo from Tebogo are returned before they are paid for. Tumelo keeps a full double entry system.

Where will Tumelo record the return of goods?

**A** cash book and sales ledger

**B** general ledger only

**C** general ledger and purchases ledger

**D** purchases ledger only

**7** Dave supplies goods to Peter on credit. On 1 April, Peter owed Dave $440. Dave sent or received the following documents in April.

| | | $ |
|---|---|---|
| April | 7 invoice | 360 |
| | 12 cheque (after deducting $11 cash discount) | 429 |
| | 13 debit note | 50 |
| | 15 credit note | 50 |

What was the closing balance on the statement of account on 30 April?

**A** $260 **B** $310 **C** $321 **D** $421

**8** A business sold goods with a list price of $50 each.

The terms of trade were:

| | |
|---|---|
| trade discount for more than 20 items bought | 10% |
| cash discount if customer pays within 30 days | 4% |

How much was received in full settlement from a customer who bought 25 items and paid after 35 days?

**A** $900 **B** $1075 **C** $1125 **D** $1200

**9** Paul rents premises from John and pays the rent by credit transfer.

How would John record this?

| | account debited | account credited |
|---|---|---|
| **A** | bank | rent receivable |
| **B** | cash | rent receivable |
| **C** | rent receivable | bank |
| **D** | rent receivable | cash |

**10** Sita discovers that $1000 received from the sale of fixtures had been entered in the sales account.

Which journal entry corrected this error?

| | | debit $ | credit $ |
|---|---|---|---|
| **A** | bank | 1000 | |
| | disposal of fixtures | | 1000 |
| **B** | bank | 1000 | |
| | fixtures | | 1000 |
| **C** | sales | 1000 | |
| | disposal of fixtures | | 1000 |
| **D** | sales | 1000 | |
| | fixtures | | 1000 |

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**11** The totals of a trial balance did not agree and $200 was debited to a suspense account. On checking the books it was found that two errors had been made.

1 A sales invoice for $700 had been recorded in the sales journal as $770.

2 The sales journal had been totalled incorrectly.

What was the error made in totalling the sales journal?

**A** overcast by $130

**B** overcast by $200

**C** undercast by $130

**D** undercast by $200

**12** The income statement of a business showed a loss for the year of $16 000. On checking the books the following errors were discovered.

1 No adjustment had been made for insurance prepaid, $480.

2 No entry had been made for bank charges, $620.

What was the correct loss for the year?

**A** $14 900 **B** $15 860 **C** $16 140 **D** $17 100

**13** What would result in a cash book balance being lower than the balance showing on a bank statement?

**A** A cheque received from a customer was not recorded in the bank statement.

**B** A customer's cheque dishonoured by the bank appeared only on the bank statement.

**C** Payment by a customer directly into the bank was not recorded in the cash book.

**D** Payment of insurance by standing order was not recorded in the cash book.

**14** Thembi is preparing her sales ledger control account. She needs to know:

1 The total for goods which have been returned by credit customers.

2 The amount owed by credit customers which have been written off as irrecoverable.

Where can she obtain this information?

| | goods returned | irrecoverable debts |
|---|---|---|
| **A** | purchase returns account | irrecoverable debts account |
| **B** | purchase returns journal | general journal |
| **C** | sales returns account | irrecoverable debts account |
| **D** | sales returns journal | general journal |

**15** The following payments were made when a new machine was purchased.

| | $ |
|---|---|
| cost of the machine | 32 000 |
| charge for delivering the machine | 1 800 |
| insurance of the machine | 2 000 |
| wages of employees installing the machine | 1 300 |

How much was the capital expenditure?

**A** $32 000 **B** $33 300 **C** $35 100 **D** $37 100

**16** A non-current asset was depreciated at the end of the first year of ownership using the straight-line method based on the following information.

| | |
|---|---|
| cost | $20 000 |
| working life | 4 years |
| residual value | $4000 |

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 of **correcting** this error?

**A** decrease by $2000

**B** increase by $2000

**C** decrease by $6000

**D** increase by $6000

**17** Elzevir purchased a motor vehicle costing $8000 on 1 January 2018. It is depreciated at 40% on the reducing balance basis.

Which journal entry records the depreciation for the year ended 31 December 2019?

| | | debit | credit |
|---|---|---|---|
| **A** | income statement<br>provision for depreciation of motor vehicles | 1920 | 1920 |
| **B** | income statement<br>provision for depreciation of motor vehicles | 3200 | 3200 |
| **C** | provision for depreciation of motor vehicles<br>motor vehicles | 1920 | 1920 |
| **D** | provision for depreciation of motor vehicles<br>motor vehicles | 3200 | 3200 |

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**18** Alice's financial year ends on 31 December.

The balances on her books on 1 January 2020 included the following.

| | $ |
|---|---|
| commission receivable | 250 debit |
| rent receivable | 500 credit |

What do these balances represent?

| | commission receivable | rent receivable |
|---|---|---|
| **A** | income outstanding | income outstanding |
| **B** | income outstanding | income prepaid |
| **C** | income prepaid | income outstanding |
| **D** | income prepaid | income prepaid |

**19** Annual rental income due from Kumar, a tenant, is $3600. At the start of the year Kumar had prepaid rent of $900. At the end of the year he owed two months' rent.

How much rent was received from Kumar during the year?

**A** $2100 **B** $3300 **C** $3900 **D** $5100

**20** Joel's inventory on 31 December 2019 was valued at $4800. It was discovered that:

1 Goods, cost $100, had not been included.

2 Goods, cost $170, had been included at net realisable value $210.

What was the **effect** of the **incorrect** inventory valuation on Joel's financial statements at 31 December 2019?

| | profit for the year | $ | inventory | $ | equity | $ |
|---|---|---|---|---|---|---|
| **A** | overstated | 40 | understated | 40 | nil | |
| **B** | overstated | 60 | understated | 60 | nil | |
| **C** | understated | 40 | understated | 40 | understated | 40 |
| **D** | understated | 60 | understated | 60 | understated | 60 |

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**21** The owner of a business took goods for his own use but forgot to make an entry in the accounts.

What was the **effect** of this error?

| | profit for the year | capital employed |
|---|---|---|
| **A** | overstated | no effect |
| **B** | overstated | understated |
| **C** | understated | no effect |
| **D** | understated | overstated |

**22** Rajid and Sunil formed a partnership on 1 January 2019 but did not prepare a partnership agreement.

They provided the following information.

| | Rajid | Sunil |
|---|---|---|
| capital introduced 1 January 2019 | $40 000 | $20 000 |
| during the year ended 31 December 2019 | | |
| drawings | $5 000 | $3 500 |
| share of work | 50% | 50% |

They decided to draw up a partnership agreement for future years.

Which item would be most beneficial to Rajid in 2020?

**A** interest on capital

**B** interest on drawings

**C** limit on annual drawings

**D** partnership salaries

**23** Harry and Jane are in partnership. The following information relates to Harry for the financial year.

| | $ |
|---|---|
| salary | 8000 |
| drawings | 2800 |
| share of profit | 4600 |

The opening credit balance on Harry's current account was $28 200.

What was the closing balance on his current account?

**A** $30 000 **B** $38 000 **C** $40 800 **D** $43 600

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**24** The statement of financial position of X Limited at 31 December 2018 included the following:

| | $ |
|---|---|
| ordinary share capital | 40 000 |
| general reserve | 8 000 |
| retained earnings | 65 000 |
| 8% debentures (repayable 2025) | 30 000 |

Profit for the year ended 31 December 2019 was $42 000 and dividends paid totalled $10 000.

What was the total equity on 31 December 2019?

**A** $137 000 **B** $145 000 **C** $155 000 **D** $175 000

**25** Which is a feature of debentures?

**A** are a long-term liability of a company

**B** carry a fixed rate of dividend

**C** carry voting rights

**D** on liquidation are paid back after shareholders

**26** Which cost is part of the prime cost for a manufacturing business?

**A** carriage inwards

**B** carriage outwards

**C** factory rent

**D** factory supervisor's salary

**27** A manufacturing business provided the following information.

| | $ |
|---|---|
| prime cost | 236 000 |
| factory overheads | 42 000 |
| opening work in progress | 8 000 |
| closing work in progress | 6 000 |

What was the factory cost of production?

**A** $234 000 **B** $238 000 **C** $276 000 **D** $280 000

**28** A trader provided the following information.

| | $ |
|---|---|
| trade receivables at start of the year | 5 000 |
| trade receivables at end of the year | 8 500 |
| cash received from trade receivables | 34 700 |
| irrecoverable debts written off | 200 |
| discount allowed | 185 |

What was the amount of the credit sales?

**A** $38 200 **B** $38 385 **C** $38 400 **D** $38 585

**29** Gordon provided the following information for the year.

| | |
|---|---|
| revenue | $90 000 |
| opening inventory | $8 000 |
| closing inventory | $2 000 |
| mark up | 50% |

Gordon took goods, $7000, for his own use.

What were the purchases?

**A** $43 000 **B** $47 000 **C** $54 000 **D** $61 000

**30** Sabelo's liquid (acid test) ratio was higher on 1 January 2019 than it was on 31 December 2019.

What could have caused this?

**A** bank overdraft decreased

**B** inventory decreased

**C** other payables decreased

**D** trade receivables decreased

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**31** The following ratios have been calculated for a trader.

| | year 1 | year 2 |
|---|---|---|
| profit margin | 15% | 20% |
| return on capital employed (ROCE) | 9% | 6% |

What explains these changes?

**A** Drawings have increased by more than profit for the year.

**B** Gross profit has increased but profit for the year has decreased.

**C** Profit for the year has increased and capital has been introduced.

**D** Profit for the year has increased and a long-term loan has been repaid.

**32** Which external parties would be interested in the accounting ratios of a business?

**A** government

**B** investors

**C** managers

**D** tax authorities

**33** At the end of the financial year, a company did not account for the unused stationary valued at $50.

Which accounting principle did the company apply?

**A** matching

**B** materiality

**C** money measurement

**D** prudence

**34** A trader wrote off the balance on a credit customer's account as irrecoverable.

Which accounting principle was applied?

**A** business entity

**B** consistency

**C** money measurement

**D** prudence

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**[Turn over**

**35** A limited company applied the accounting objective of comparability in preparing its financial statements.

What is the effect of this on the interested parties?

**A** They can be sure that information in the financial statements is up to date.

**B** They can identify similarities with the financial statements of other businesses.

**C** They can understand the financial statements easily.

**D** They can use the financial statements in decision-making.

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