Cambridge Assessment International Education

# 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.

*1786308326*

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.



IB20 11_0452_12/3RP
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**[Turn over**

**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

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**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 |
|---|---|---|
| **A** | purchase returns | Rashid |
| **B** | Rashid | purchase returns |
| **C** | sales returns | Rashid |
| **D** | 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 |
| | | 240 | | | 240 |

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?

1 the sales account

2 the account of Harjit, a trade receivable

| | sales account | Harjit account |
|---|---|---|
| **A** | nominal (general) ledger | purchases ledger |
| **B** | nominal (general) ledger | sales ledger |
| **C** | purchases ledger | sales ledger |
| **D** | sales ledger | purchases ledger |

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**[Turn over**

**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 $ | credit $ |
|---|---|---|---|
| **A** | motor vehicle expenses | 50 | |
| | motor vehicles | | 50 |
| **B** | motor vehicles | 50 | |
| | motor vehicle expenses | | 50 |
| **C** | motor vehicles expenses | 50 | |
| | motor vehicles | 50 | |
| | suspense | | 100 |
| **D** | suspense | 100 | |
| | motor vehicles expenses | | 50 |
| | motor vehicles | | 50 |

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**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

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**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 |
|---|---|---|
| **A** | overstated | overstated |
| **B** | overstated | understated |
| **C** | understated | overstated |
| **D** | 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** $21 000 **B** $22 600 **C** $23 400 **D** $25 000

**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

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**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 $ | credit $ |
|---|---|---|---|
| **A** | income statement | 384 | |
| | provision for doubtful debts | | 384 |
| **B** | income statement | 1284 | |
| | provision for doubtful debts | | 1284 |
| **C** | provision for doubtful debts | 384 | |
| | income statement | | 384 |
| **D** | provision for doubtful debts | 1284 | |
| | income statement | | 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 of units | cost price per unit | net realisable 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 |
|---|---|---|---|
| **A** | credit capital account | credit current account | debit capital account |
| **B** | credit current account | debit capital account | credit current account |
| **C** | credit current account | credit current account | debit current account |
| **D** | 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 |
|---|---|---|
| **A** | avoid overstating | avoid overstating |
| **B** | avoid overstating | avoid understating |
| **C** | avoid understating | avoid overstating |
| **D** | 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

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