



# 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.

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.



**2**

**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 |
|----------|-----------------------|------------------------|
| <b>A</b> | machinery             | Sachin                 |
| <b>B</b> | purchases             | Sachin                 |
| <b>C</b> | Sachin                | machinery              |
| <b>D</b> | Sachin                | purchases              |

**3**

- 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 |
|----------|-------------|--------------|
| <b>A</b> | no          | no           |
| <b>B</b> | no          | yes          |
| <b>C</b> | yes         | no           |
| <b>D</b> | 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        |       |             |            |
|        |             | <u>650</u> |       |             | <u>650</u> |

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

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- 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 \$3 000. 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** \$2 000 overstated
- B** \$2 000 understated
- C** \$2 600 overstated
- D** \$2 600 understated

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- 14** A business provided the following information about two expenses.

|             | 1 January 2019<br>\$ | amount paid during<br>year ended<br>31 December 2019<br>\$ | 31 December 2019<br>\$ |
|-------------|----------------------|------------------------------------------------------------|------------------------|
| 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<br>\$ | insurance<br>\$ |
|----------|-------------------|-----------------|
| <b>A</b> | 900               | 800             |
| <b>B</b> | 1380              | 1240            |
| <b>C</b> | 1620              | 1160            |
| <b>D</b> | 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<br>doubtful debts account | \$  | income statement           | \$  |
|----------|-----------------------------------------|-----|----------------------------|-----|
| <b>A</b> | credit                                  | 200 | added to gross profit      | 200 |
| <b>B</b> | credit                                  | 200 | deducted from gross profit | 200 |
| <b>C</b> | debit                                   | 200 | added to gross profit      | 200 |
| <b>D</b> | debit                                   | 200 | deducted from gross profit | 200 |

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- 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    |
|----------|--------------------|---------------------|-------------------|
| <b>A</b> | decreases by \$200 | decreases by \$200  | decrease by \$200 |
| <b>B</b> | decreases by \$300 | decreases by \$300  | decrease by \$300 |
| <b>C</b> | increases by \$100 | increases by \$100  | decrease by \$100 |
| <b>D</b> | 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<br>assets<br>\$ | non-current<br>assets<br>\$ | current<br>assets<br>\$ | capital<br>\$ |
|----------|----------------------------|-----------------------------|-------------------------|---------------|
| <b>A</b> | nil                        | 12 000                      | 980                     | 12 980        |
| <b>B</b> | nil                        | 15 000                      | 480                     | 15 480        |
| <b>C</b> | 3000                       | 12 000                      | 980                     | 15 980        |
| <b>D</b> | 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

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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 |
|----------|----------------|----------|
| <b>A</b> | Flo            | Flo      |
| <b>B</b> | Flo            | Mo       |
| <b>C</b> | Mo             | Flo      |
| <b>D</b> | 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

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