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Cambridge Assessment International Education

Cambridge IGCSE™

ACCOUNTING **0452/12**

Paper 1 Multiple Choice **February/March 2024**

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)

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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 **16** pages. Any blank pages are indicated.

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1 Which statements about book-keeping and accounting are correct?

1 Accounting is performed periodically rather than daily.

2 Accounting uses information kept in the book-keeping records.

3 Book-keeping includes the preparation of financial statements.

4 Book-keeping involves the recording of financial transactions.

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

2 Amarjit had the following closing balances in his books at the end of the year.

	$
non–current assets	25 000
trade receivables	11 000
bank overdraft	3 000
other payables	600

What was Amarjit's capital at the end of the year?

A $7 400 **B** $10 400 **C** $32 400 **D** $38 400

3 On 31 December Manjit was owed commission.

How would this commission be shown in Manjit's statement of financial position on 31 December?

A as accrued income in current assets

B as accrued income in current liabilities

C as prepaid income in current assets

D as prepaid income in current liabilities

4 Sami maintains a full set of accounting records.

Why does Sami find it useful to complete the cheque counterfoil when he pays a credit supplier by cheque?

A It enables him to keep the purchases account up to date.

B It helps in preparing the bank reconciliation statement.

C It is a source of information for maintaining the cash book.

D It is proof that he has paid the correct amount.

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

How would John record this?

	account debited	account credited
A	bank	rental income
B	cash	rental income
C	rental income	bank
D	rental income	cash

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

The terms of trade were as follows:

trade discount when more than 20 items are purchased: 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

7 What is the name given to a list of ledger balances on a particular date?

A control account

B income statement

C statement of account

D trial balance

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8 A trader introduced additional capital of $4000. This was debited to the capital account and credited to the bank account in error.

What is the effect on the statement of financial position of correcting this error?

	capital $	bank $
A	decreases by 4000	decreases by 4000
B	decreases by 8000	decreases by 8000
C	increases by 4000	increases by 4000
D	increases by 8000	increases by 8000

9 The totals of a trial balance did not agree, and a suspense account was opened. It was later found that purchases returns, $560, had been debited to the sales returns account.

Which journal entry was required to correct this error?

		debit $	credit $
A	purchases returns sales returns	560	 560
B	purchases returns suspense	560	 560
C	purchases returns sales returns suspense	1120	 560 560
D	suspense purchases returns sales returns	1120	 560 560

10 A trader has received her bank statement.

What does she need to record when she is updating her cash book?

A a bank error

B a credit transfer

C an uncredited deposit

D the bank statement balance

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11 Colin's cash book showed a debit balance of $2134 in the bank column. When Colin compared his cash book with his bank statement he discovered the following.

	$
a standing order paid in error by the bank	80
unpresented cheques	563
uncredited deposits	376

What was the closing balance shown on his bank statement?

A $2027 credit

B $2027 debit

C $2241 credit

D $2241 debit

12 What is **not** a reason for preparing a monthly sales ledger control account?

A to carry out a check of each entry recorded in the trade receivables' accounts in the sales ledger

B to reduce fraud as the control account is completed by someone who has not been involved in writing up the sales ledger

C to prove that the entries made in the sales ledger are arithmetically correct

D to provide a summary of the trade receivables' transactions during the month

13 A sales ledger control account had a debit balance of $10 000.

It was found that a $2000 contra entry to the purchases ledger control account had been entered on the wrong side of the sales ledger control account.

What was the correct debit balance on the sales ledger control account?

A $6000 **B** $8000 **C** $12 000 **D** $14 000

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14 A business bought two assets, X and Y, on 1 January 2022, for $2000 each.

It depreciates asset X by 10% per annum using the straight-line method, and asset Y by 10% per annum using the reducing balance method.

Which statements are correct?

	asset X will be fully depreciated before asset Y	in 2022 the depreciation charge is lower for asset X than for asset Y
A	false	false
B	false	true
C	true	false
D	true	true

15 After the preparation of his financial statements, a trader discovered the following errors.

1 A revenue receipt of $1000 had been recorded as a capital receipt.

2 Capital expenditure of $800 had been recorded as revenue expenditure.

3 A capital receipt of $900 had been recorded as a revenue receipt.

What was the overall effect of these errors on the profit for the year?

A overstated by $700

B overstated by $900

C understated by $700

D understated by $900

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16 The following ledger account appeared in the books of a trader.

rent receivable account			
	$		$
Dec 31 income statement	2500	Jan 1 balance b / d	200
		Dec 31 bank	2000
		balance c / d	300
	2500		2500

What does the balance of $300 on 31 December represent?

A accrued expense

B accrued income

C prepaid expense

D prepaid income

17 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 required adjustment to the provision for doubtful debts be recorded?

	provision for doubtful debts account	$	income statement	$
A	credit	200	added to gross profit	200
B	credit	200	deducted from gross profit	200
C	debit	200	added to gross profit	200
D	debit	200	deducted from gross profit	200

18 Which asset is valued at the lower of cost and net realisable value?

A goodwill

B inventory

C loose tools

D machinery

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19 Vikram made two errors when preparing his draft financial statements. These caused his gross profit to be overstated by $600 and his profit for the year to be understated by $250.

Which two errors had he made?

	closing inventory	depreciation charge
A	$600 overstated	$350 overstated
B	$600 overstated	$850 overstated
C	$600 understated	$350 understated
D	$600 understated	$850 understated

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

A a computer repair shop

B a furniture factory

C a hairdressing salon

D a travel agent

21 Simon bought a new non-current asset.

Why did he decide to use the reducing balance method to depreciate it?

A The non-current asset will be subject to rapid technological change.

B The non-current asset will lose value faster in the later years.

C The benefits from using the non-current asset will be lower in the earlier years.

D The cash set aside to replace the non-current asset will increase quickly.

22 Which statement about a statement of financial position is correct?

A It is part of the double entry system.

B It proves the arithmetical accuracy of the accounts.

C It shows income and expenses for a certain period of time.

D It shows the assets and liabilities on a certain date.

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23 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
A	overstated	no effect
B	overstated	understated
C	understated	no effect
D	understated	overstated

24 What are advantages to a sole trader of forming a partnership?

1 All partners would be entitled to drawings and dividends.

2 Profits would be shared with the partners.

3 The partners may bring additional skills and experience.

4 The partners would share responsibility for running the business.

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

25 X, Y and Z are partners sharing profits and losses in the ratio 5 : 3 : 2. Their business made a profit for the year of $8000. They provided the following information.

	partner X $	partner Y $	partner Z $	total $
partner's salary	–	–	1500	1500
interest on capital	500	300	200	1000
interest on drawings	–	50	100	150

What was Z's share of the residual profit?

A $1070 **B** $1130 **C** $1530 **D** $1730

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26 What can cause an increase in the total equity of a company?

1 a profit for the year

2 a receipt of a long-term loan

3 a transfer to general reserve

4 an issue of shares

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

27 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

28 A tennis club provided the following information for the year ended 31 December 2020.

	$
at 1 January	
prepaid subscriptions	1250
during the year ended 31 December	
subscriptions received for 2020	9750
subscriptions received for 2021	1100
at 31 December	
subscriptions owing for 2020	1500

What was the amount of subscriptions included in the income and expenditure account for the year ended 31 December 2020?

A $11 250 **B** $11 400 **C** $12 500 **D** $13 600

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29 Which costs of a manufacturing business are indirect costs?

1 heating and lighting of the factory

2 raw materials used in production

3 rent and rates of the factory

4 wages of employees who make the product

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

30 A manufacturer provided the following information at the end of his financial year.

	$
prime cost	98 400
factory overheads	17 800
work in progress at start of year	6 300
work in progress at end of year	7 600

What was the cost of production for the year?

A $79 300 **B** $81 900 **C** $114 900 **D** $117 500

31 A trader does not maintain a full set of accounting records. He provided the following information for the year ended 31 December.

	1 January $	31 December $
non-current assets	45 000	60 000
current assets	9 000	7 500
working capital	6 000	4 500
non-current liabilities	4 000	6 500

During the year he made drawings of $3500.

What was his profit for the year?

A $6000 **B** $7500 **C** $13 000 **D** $14 500

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32 A trader provided the following information.

	$
opening inventory	8 000
purchases	108 000
closing inventory	16 000

What was the rate of inventory turnover?

A 4.17 times

B 4.83 times

C 8.33 times

D 9.67 times

33 A limited company has invited potential investors to purchase shares in the business.

What information would be of interest to a potential investor?

1 the amount that they would pay for the shares

2 the expected future profits of the business

3 the expected rate of dividend that the business might pay

4 when the limited company will pay back the money invested

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

34 Why would a bakery business **not** include a value for inventory of stationery in the statement of financial position?

A It was to be used in the next few months.

B It was purchased regularly and paid for in cash.

C It was new and unused.

D It was of very low value.

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35 A trader decides to write off the balance owed by a credit customer as an irrecoverable debt.

A credit entry is made in the account of the credit customer and a debit entry in the irrecoverable debts account.

Which accounting principles are being applied?

A business entity and realisation

B consistency and materiality

C duality and prudence

D materiality and prudence

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