Cambridge Assessment International Education

# Cambridge IGCSE™

**ACCOUNTING** **0452/11**

Paper 1 Multiple Choice **May/June 2021**

**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.



IB21 06_0452_11/3RP
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**1** Which statements about book-keeping and accounting are correct?

View solution

1 Accounting is performed periodically rather than daily.

2 Accounting relies on having accurate 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** What increases owner's capital?

View solution

**A** bank loan extended from five to ten years

**B** purchase of inventory on credit

**C** purchase of machinery by cheque

**D** transfer of vehicle to business from private use

**3** Carl, a trader, took goods from the business for his own use. These goods had cost $100, and $8 carriage had been paid for them to be delivered to the business.

View solution

How would this be recorded in Carl's accounts in the books of the business?

**A** debit Carl's capital account $100

**B** debit Carl's capital account $108

**C** debit Carl's drawings account $100

**D** debit Carl's drawings account $108

**4** Shula's financial year ends on 31 March. On 1 April 2021 there was a credit balance of $100 on Yasmin's account in Shula's purchases ledger.

View solution

What does this mean?

**A** Shula had paid $100 to Yasmin.

**B** Shula owed $100 to Yasmin.

**C** Yasmin had paid $100 to Shula.

**D** Yasmin owed $100 to Shula.

**5** Hasina buys radios from Nazneen at a list price of $10 each. Hasina bought 12 radios and was offered 20% trade discount and 4% cash discount. Two radios were faulty and were returned to Nazneen.

View solution

What was the total of the credit note issued by Nazneen?

**A** $15.36 **B** $16.00 **C** $19.20 **D** $20.00

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**6** Which items would be recorded in the general journal of a bakery?

View solution

1 correction of an error of principle relating to an oven repair

2 purchase of a delivery vehicle on credit

3 purchase of flour on credit

4 return by a customer of a faulty batch of bread

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

**7** Alisha entered the credit notes she received in March in the correct returns journal.

View solution

How was the total of this journal recorded in the ledger at the end of the month?

**A** credit purchases returns account

**B** credit sales returns account

**C** debit purchases returns account

**D** debit sales returns account

**8** Which item would **not** be shown on a bank statement?

View solution

**A** a cheque returned by the bank marked as 'refer to drawer'

**B** a monthly payment made for electricity by direct debit

**C** bank charges

**D** unpresented cheques

**9** Which statement about a purchases ledger control account is **not** correct?

View solution

**A** It acts as a check on the balance of the purchases account.

**B** It includes transactions relating to all the credit suppliers.

**C** It is prepared using information from the books of prime entry.

**D** It provides proof of the arithmetical accuracy of the purchases ledger.

**10** Javid's sales ledger control account had a debit balance of $12 000. Interest on an overdue account, $40, and discount allowed, $150, had been omitted.

View solution

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

**A** $11 810 **B** $11 890 **C** $12 110 **D** $12 190

**11** What is the effect of treating an item of capital expenditure as revenue expenditure?

View solution

1 Cost of non-current assets is overstated.

2 Cost of non-current assets is understated.

3 Depreciation for the year is overstated.

4 Depreciation for the year is understated.

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

**12** Why does a business provide for depreciation on non-current assets?

View solution

**A** to charge the cost of non-current assets against profit in the year of purchase

**B** to ensure that non-current assets appear at book value in the statement of financial position

**C** to ensure that the matching principle is applied when preparing financial statements

**D** to retain cash in the business for replacement of non-current assets

**13** Machinery which had cost $6290 was sold for $3100. The disposal account showed a profit on disposal of $584.

How much was the depreciation up to the date of disposal and on which side of the disposal account was it recorded?

View solution

**A** $2606 on the credit side

**B** $2606 on the debit side

**C** $3774 on the credit side

**D** $3774 on the debit side

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

View solution

| Rent receivable account | | | | | |
|---|---|---|---|---|---|
| | | $ | | | $ |
| 2020<br>Dec 31 | balance c/d | 600 | 2020<br>Jan 1<br>Dec 31 | balance b/d<br>bank | 400<br>3600 |

Which entry was made in the income statement for the year ended 31 December 2020 for rent receivable?

**A** $3400 credit

**B** $3400 debit

**C** $3800 credit

**D** $3800 debit

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**15** Why does a business maintain a provision for doubtful debts account?

View solution

**A** to apply the accounting principle of prudence

**B** to avoid profit for the year being understated

**C** to have an accurate forecast of debts which will be uncollectible

**D** to reduce the expense of irrecoverable debts in the future

**16** How should inventory be valued?

View solution

**A** cost

**B** higher of cost and net realisable value

**C** lower of cost and net realisable value

**D** net realisable value

**17** What are the advantages of being a sole trader?

View solution

| | easy to raise finance | entitled to all profit | has total control | has unlimited liability |
|---|---|---|---|---|
| **A** | ✓ | | | ✓ |
| **B** | | | ✓ | ✓ |
| **C** | ✓ | ✓ | ✓ | |
| **D** | | ✓ | ✓ | |

**18** Which items would appear in the income statement of a service business?

View solution

| | gross profit | profit for the year | surplus |
|---|---|---|---|
| **A** | ✓ | ✓ | ✗ |
| **B** | ✓ | ✗ | ✓ |
| **C** | ✗ | ✓ | ✗ |
| **D** | ✗ | ✗ | ✓ |

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**19** A business provided the following information.

View solution

| | $ |
|---|---|
| long-term loan | 20 000 |
| trade receivables | 12 000 |
| trade payables | 9 700 |
| bank overdraft | 2 000 |
| prepaid insurance | 400 |
| accrued wages | 1 000 |
| rent receivable prepaid | 500 |

What was the total of the current liabilities?

**A** $13 200 **B** $15 400 **C** $31 200 **D** $32 700

View solution

**20** What is added to owner's capital to calculate capital employed?

**A** current assets

**B** current liabilities

**C** non-current assets

**D** non-current liabilities

**21** On 1 April 2020 Ahmed had a provision for doubtful debts of $290. The following journal entry was made on 31 March 2021.

View solution

| | debit $ | credit $ |
|---|---|---|
| provision for doubtful debts | 25 | |
| income statement | | 25 |

What was the provision for doubtful debts deducted from trade receivables in Ahmed's statement of financial position on 31 March 2021?

**A** $25 **B** $265 **C** $290 **D** $315

**22** X Limited started the year with an ordinary share capital of $100 000.

View solution

An ordinary share dividend of $3000 was paid during the year.

Later a further $10 000 of ordinary shares were issued.

The profit for the year was $8000.

By how much had equity increased at the end of the year?

**A** $7000 **B** $10 000 **C** $15 000 **D** $18 000

**23** Which providers of funds to a limited liability company receive a fixed rate of return on their investment?

View solution

| | ordinary shareholders | preference shareholders | debenture holders |
|---|---|---|---|
| **A** | ✓ | ✓ | ✓ |
| **B** | ✓ | ✗ | ✓ |
| **C** | ✗ | ✓ | ✓ |
| **D** | ✗ | ✓ | ✗ |

**24** Every member of a sports club is required to pay an annual subscription of $50. The subscriptions account showed the following.

View solution

| Subscriptions account | | | | | |
|---|---|---|---|---|---|
| | | $ | | | $ |
| 2020 | | | 2020 | | |
| Jan 1 | Balance b/d | 350 | Dec 31 | Bank | 10 950 |
| Dec 31 | Income and expenditure account | 10 900 | | Balance c/d | 750 |
| | Balance c/d | 450 | | | |
| | | 11 700 | | | 11 700 |
| 2021 | | | 2021 | | |
| Jan 1 | Balance b/d | 750 | Jan 1 | Balance b/d | 450 |

What was the **increase** in the number of members in arrears between 1 January and 31 December 2020?

**A** 2 members

**B** 6 members

**C** 8 members

**D** 17 members

**25** Which term is used to describe the surpluses which have been earned by a club over its lifetime?

View solution

**A** accumulated fund

**B** capital

**C** retained earnings

**D** subscriptions

**26** Nula provided the following information for the year ended 31 March 2021.

View solution

| | $ |
|---|---|
| drawings for the year | 3 900 |
| net assets at 1 April 2020 | 60 500 |
| net assets at 31 March 2021 | 72 275 |

What was the profit or loss for the year ended 31 March 2021?

**A** $7875 loss

**B** $7875 profit

**C** $15 675 loss

**D** $15 675 profit

**27** A trader who does not keep full accounting records was able to supply the following information.

View solution

| | $ |
|---|---|
| amount owed by trade receivables at 1 April 2020 | 3 000 |
| cheques received from trade receivables during the year | 28 000 |
| cash discounts given to trade receivables | 1 500 |
| amount owed by trade receivables at 31 March 2021 | 4 200 |

How much were the credit sales for the year ended 31 March 2021?

**A** $25 300 **B** $27 700 **C** $28 300 **D** $30 700

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

View solution

| | $ |
|---|---|
| revenue | 120 000 |
| inventory at the start of the year | 9 600 |
| inventory at the end of the year | 10 200 |

A mark-up of 25% is applied.

What were the purchases for the year?

**A** $89 400 **B** $90 600 **C** $95 400 **D** $96 600

**29** George provided the following information.

View solution

| | $ |
|---|---|
| non-current assets | 15 000 |
| inventory | 12 000 |
| trade receivables | 18 000 |
| trade payables | 8 000 |

His liquid (acid test) ratio was 1.2 : 1.

What was his bank overdraft?

**A** $7000 **B** $15 000 **C** $17 000 **D** $29 500

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

View solution

| | $ | $ |
|---|---|---|
| revenue | | 3600 |
| opening inventory | 100 | |
| purchases | 2600 | |
| | 2700 | |
| closing inventory | 300 | 2400 |
| gross profit | | 1200 |

It was found that the closing inventory should have been $400.

What was the correct rate of inventory turnover?

**A** 6 times

**B** 8 times

**C** 9.2 times

**D** 14.4 times

**31** The current ratio of X is 2 : 1. The current ratio of Y is 1.3 : 1.

View solution

What does a comparison of these ratios show?

**A** X has fewer liabilities than Y.

**B** X has more liquidity than Y.

**C** Y has fewer current assets than X.

**D** Y has more inventory than X.

**32** Which external parties would be interested in the financial statements of a trader?

View solution

1 a bank manager considering a request by the trader for a loan

2 a trade union seeking a wage increase for the employees

3 the business manager making decisions about how to increase profits

4 the trader deciding if drawings could be increased

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

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**33** Sabeena runs a retail business. She plans to close her business in a few weeks' time.

View solution

How should her fixtures and fittings be valued in the statement of financial position?

**A** at book value

**B** at expected sales value

**C** at original cost

**D** at replacement cost

**34** Why should a trader match his costs for a financial year with the revenues for the same period?

View solution

**A** to account for all liabilities

**B** to account for money that has been paid in advance

**C** to make sure outstanding income is included

**D** to show the correct profit figure

**35** Which international accounting objectives are described by the following statements?

View solution

1 Information in financial statements must be free from material error and bias.

2 Users must be able to identify differences and similarities between information in different financial statements.

| | statement 1 | statement 2 |
|---|---|---|
| **A** | comparability | understandability |
| **B** | reliability | comparability |
| **C** | reliability | understandability |
| **D** | understandability | reliability |

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