Cambridge Assessment International Education

# Cambridge IGCSE™

**ACCOUNTING** **0452/12**

Paper 1 Multiple Choice **May/June 2023**

**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.



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**1** What is the main function of book-keeping?

View solution

**A** communicating information

**B** interpreting information

**C** recording information

**D** summarising information

**2** Which components of a statement of financial position do descriptions 1, 2 and 3 relate to?

View solution

1 finance and other resources that have been provided by the owner

2 money owed for goods supplied, unpaid expenses and loans made to the business

3 property owned by the business, amounts owed by customers, unsold goods and money in the bank

| | 1 | 2 | 3 |
|---|---|---|---|
| **A** | assets | capital | liabilities |
| **B** | assets | liabilities | capital |
| **C** | capital | assets | liabilities |
| **D** | capital | liabilities | assets |

**3** A cheque received from Kate, a credit customer, was dishonoured.

View solution

How was this dishonoured cheque recorded?

| | account debited | account credited |
|---|---|---|
| **A** | bank | Kate |
| **B** | Kate | bank |
| **C** | Kate | sales |
| **D** | sales | Kate |

**4** What does the sales ledger of a business contain?

View solution

**A** accounts of trade payables

**B** accounts of trade receivables

**C** sales account

**D** sales ledger control account

**5** Which action is an example of double entry book-keeping?

View solution

**A** making a journal entry to record the correction of an error made in the ledger

**B** making entries in the sales journal and the sales ledger to record goods sold on credit

**C** recording a cheque paid to a trade payable in the cash book and purchases ledger

**D** recording the purchase of goods on credit in the purchases journal and purchases account

**6** What is true about cash discounts received?

View solution

| | they are recorded in the cash book | they increase profit for the year |
|---|---|---|
| **A** | ✓ | ✓ |
| **B** | ✓ | ✗ |
| **C** | ✗ | ✓ |
| **D** | ✗ | ✗ |

**7** Tahir prepared a trial balance. He entered both the balance on the discount allowed account, $900, and the bank overdraft, $750, in the wrong column.

Which total of the trial balance was higher and what was the amount of the difference between the debit total and the credit total?

View solution

| | total that was higher | amount of difference $ |
|---|---|---|
| **A** | credit column | 300 |
| **B** | credit column | 1650 |
| **C** | debit column | 150 |
| **D** | debit column | 3300 |

**8** Goods sold on credit to J Sharp were debited in error to the account of T Sharpe.

View solution

Which type of error has been made?

**A** commission

**B** complete reversal

**C** original entry

**D** principle

**9** Khalid made entries in a suspense account to correct two errors found in his ledger accounts. Once the errors were corrected, the suspense account was closed.

View solution

error 1 $700 sales had been omitted from the sales account.

error 2 The purchases journal had been overcast by $550.

Which entry was made in the suspense account to balance the trial balance?

**A** credit $150

**B** credit $1250

**C** debit $150

**D** debit $1250

**10** Maya depreciates her motor vehicle at 25% per annum using the straight-line method.

View solution

The motor vehicle cost $15 000.

The depreciation for the current financial year was incorrectly calculated at 15% per annum.

How will correcting the error affect the profit for the year?

**A** decrease $1500

**B** decrease $2250

**C** increase $1500

**D** increase $2250

**11** Waseem received a bank statement. He found that the bank had charged interest twice in error and that a dividend had been received on an investment.

View solution

Waseem then updated the cash book and prepared a bank reconciliation statement.

Where did he record these two items?

| | bank error | dividend |
|---|---|---|
| **A** | bank reconciliation statement | bank reconciliation statement |
| **B** | bank reconciliation statement | updated cash book |
| **C** | updated cash book | bank reconciliation statement |
| **D** | updated cash book | updated cash book |

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

View solution

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 |

**13** On 1 August, the sales ledger control account had a debit balance of $1800.

View solution

During August, a debt of $200 was written off as irrecoverable and $10 000 was received from credit customers. On 31 August, the credit customers owed $3000.

What was the total of credit sales in August?

**A** $7200 **B** $11 200 **C** $11 400 **D** $11 600

**14** A wholesaler had the following transactions.

View solution

sold goods, $30 000, on credit

received cheque, $12 000, from sale of old fixtures at book value

How would these amounts be classified?

| | revenue receipt $ | capital receipt $ |
|---|---|---|
| **A** | nil | 42 000 |
| **B** | 12 000 | 30 000 |
| **C** | 30 000 | 12 000 |
| **D** | 42 000 | nil |

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**15** A trader debited the cost of repairing office equipment to the office equipment account.

View solution

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

View solution

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** | incorrect | incorrect |
| **B** | incorrect | correct |
| **C** | correct | incorrect |
| **D** | correct | correct |

**17** Ravi's financial year ends on 30 April.

View solution

Ravi bought a motor vehicle for $8000 on 1 May 2020 and sold it for $4050 on 1 May 2022.

He uses the reducing balance method of depreciation at 20% per annum.

What would be recorded in the income statement for the year ended 30 April 2023 for the disposal of the motor vehicle?

**A** $750 loss

**B** $750 profit

**C** $1070 loss

**D** $1070 profit

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**18** On 2 January, Razia wrote off $450 owed to her by Annette, a credit customer, as irrecoverable.

On 2 October, Annette paid $100 by cheque in part settlement of that debt.

Which entries would Razia make on 2 October?

View solution

| | account to be debited | account to be credited |
|---|---|---|
| **A** | bank | debts recovered |
| **B** | bank | irrecoverable debts |
| **C** | debts recovered | bank |
| **D** | irrecoverable debts | bank |

**19** Asha provided the following information about her inventory at the end of the financial year.

View solution

| product | number of units | cost price per unit $ | selling price per unit $ |
|---|---|---|---|
| P | 200 | 2.50 | 2.00 |
| J | 300 | 3.00 | 3.50 |

What was the total value of Asha's inventory?

**A** $1300 **B** $1400 **C** $1450 **D** $1550

**20** Which group contains **only** service businesses?

View solution

**A** book shop, language school, newsagent

**B** jewellery repairer, taxi firm, food store

**C** language school, taxi firm, jewellery repairer

**D** taxi firm, newsagent, food store

**21** What does the statement of financial position of a business show?

View solution

**A** assets and liabilities at a certain date

**B** calculation of the annual profit or loss

**C** changes in equity during the financial year

**D** income and expenditure for the financial year

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**22** A trader pays her insurance premium on 1 January each year for the following 12 months.

View solution

She made the following payments for insurance.

| | $ |
|---|---|
| 1 January 2022 | 1680 |
| 1 January 2023 | 1920 |

How much did the trader include for insurance in her income statement for the year ended 31 March 2023?

**A** $1680 **B** $1740 **C** $1920 **D** $2160

**23** Which item is added to the profit for the year in a partnership appropriation account?

View solution

**A** interest on capital

**B** interest on drawings

**C** partners' drawings

**D** partners' salaries

**24** Abi and Erni are in partnership. Erni is entitled to an annual partnership salary of $3000. They share residual profits and losses equally. The profit for the year ended 31 August 2022 was $12 600.

View solution

On 1 September 2021, the partners' current account balances were as follows.

| | $ |
|---|---|
| Abi | 2500 credit |
| Erni | 1400 debit |

What was the credit balance on Erni's current account on 1 September 2022?

**A** $400 **B** $3200 **C** $6400 **D** $9200

**25** What is meant by the term *equity*?

View solution

**A** dividend paid to ordinary shareholders

**B** funds raised through borrowing

**C** interest paid to debenture holders

**D** total funds provided by shareholders

**26** During the financial year, AB Limited paid debenture interest of $1400 relating to that financial year. At the end of the year, debenture interest of $700 was accrued.

View solution

How was debenture interest shown in the financial statements for the year?

| | income statement $ | statement of changes in equity $ |
|---|---|---|
| **A** | 1400 | no entry |
| **B** | 2100 | no entry |
| **C** | no entry | 1400 |
| **D** | no entry | 2100 |

**27** Which items are included in an income and expenditure account prepared for a sports club?

View solution

1 cost of new furniture purchased during the year for the clubhouse

2 depreciation on furniture and sports equipment

3 rates for the clubhouse paid in advance for the next financial year

4 subscriptions that remain unpaid by club members at the end of the financial year

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

**28** Melody is a music club. The club holds a music concert once every year. Prizes are awarded to musicians selected by a judge.

View solution

The club provided the following information related to the latest music concert.

| | $ |
|---|---|
| sale of concert tickets | 1 500 |
| purchases of concert prizes | 450 |
| sale of concert programmes | 150 |
| payment of fee to the concert judge | 250 |

What was the profit from the concert?

**A** $950 **B** $1050 **C** $1450 **D** $2100

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

View solution

| | $ |
|---|---|
| opening inventory of raw material | 50 000 |
| closing inventory of raw material | 60 000 |
| purchases of raw material | 80 000 |
| carriage inwards on raw material | 2 000 |

What was the cost of raw material consumed?

**A** $70 000 **B** $72 000 **C** $90 000 **D** $92 000

**30** Ashwin started a business as a taxi driver on 1 January 2022. His taxi cost $5000 and he paid $100 into a business bank account.

He did not keep any accounting records. On 31 December 2022, he had $1750 in the business bank account, his taxi was valued at $4000 and he owed $50 to the garage for repairs. During the year, he took $1600 out of the business bank account as drawings.

View solution

What was the profit for the year?

**A** $1650 **B** $2200 **C** $2250 **D** $3250

**31** A trader did not keep a complete set of accounts. He provided the following information for the year.

View solution

| | $ |
|---|---|
| opening trade payables | 5 000 |
| closing trade payables | 9 800 |
| payments to credit suppliers | 35 000 |
| cash discounts received | 3 000 |

What were the purchases for the year?

**A** $30 200 **B** $36 800 **C** $39 800 **D** $42 800

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**32** T Limited provided the following information.

View solution

| | $ |
|---|---|
| net profit before interest | 29 200 |
| profit for the year | 28 000 |
| equity at the year-end | 192 000 |
| 6% debentures | 20 000 |

What was T Limited's return on capital employed?

**A** 13.21% **B** 13.77% **C** 14.58% **D** 15.21%

**33** Sabelo's liquid (acid test) ratio was higher on 1 January 2022 than it was on 31 December 2022.

View solution

What could have caused this?

**A** bank overdraft decreased

**B** inventory decreased

**C** other payables decreased

**D** trade receivables decreased

**34** The following ratios relate to the businesses of Ewa and Max.

View solution

| | Ewa | Max |
|---|---|---|
| current ratio | 2.2 : 1 | 2.4 : 1 |
| liquid (acid test) ratio | 1.4 : 1 | 1.0 : 1 |

An accounting student made the following statements.

1 Ewa can meet her current liabilities from her current assets more easily than Max.

2 Ewa can meet her current liabilities from her liquid assets more easily than Max.

3 Max has insufficient current assets to meet his current liabilities.

4 Max has sufficient liquid assets to meet his current liabilities.

Which statements are correct?

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

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**35** A café owner made no entry in her accounts for increased competition when another café opened nearby.

View solution

Which accounting principle was applied?

**A** historic cost

**B** materiality

**C** money measurement

**D** prudence

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