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# IGCSE Accounting Multiple Choice



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1 What is the purpose of accounting?

- A to ensure the cash book balance agrees with the bank statement
- B to know how long trade receivables take to pay
- C to prepare the financial statements of the business
- D to write up all the ledger accounts

2 When is accounting information relevant?

- A when it can be compared with information for other periods
- B when it can be understood by the users of the accounts
- C when it changes business decisions
- D when it is free from error and bias

3 What is the purpose of book-keeping?

- A to identify trends over a number of years
- B to prepare the financial statements of the business
- C to present interested parties with relevant information
- D to record the financial transactions of the business

4 An item of inventory, cost \$80, has been damaged. It can be repaired for \$22. The item can then be sold for \$78. Packing and shipping costs will amount to \$6.

At which value will it be included in the statement of financial position?

- A \$50
- B \$56
- C \$78
- D \$80

5 Tan is considering selling raw materials on credit to Arjun.

Why does Tan look at Arjun's financial statements?

- A to calculate Arjun's trade payables payment period
- B to find out how much Arjun has spent on non-current assets
- C to know how much capital Arjun had invested in his business
- D to see if Arjun experiences a high level of bad debts

6 Which business document would be sent by a customer to a supplier?

- A credit note
- B debit note
- C invoice
- D statement of account

7 An insurance account shows an amount paid for the year of \$2000 and a prepayment at the end of the year of \$400.

Which entry appears in the insurance account to record the transfer to the income statement?

- A credit entry of \$1600
- B credit entry of \$2400
- C debit entry of \$1600
- D debit entry of \$2400

**8** Where would a dishonoured cheque from a customer be recorded in the books of the supplier?

- A credit side of the purchases ledger control account
- B credit side of the sales ledger control account
- C debit side of the purchases ledger control account
- D debit side of the sales ledger control account

**9** Jamal treats purchases of loose tools as capital expenditure.

On 1 July 2014 his loose tools were valued at \$7100.

On 1 September 2014 he bought new tools costing \$1200.

On 30 June 2015 he valued loose tools at \$6000.

Which amount for loose tools appeared in his income statement for the year ended 30 June 2015?

- A \$100
- B \$1100
- C \$1200
- D \$2300

**10** The rent of a manufacturing business is split 60% factory, 10% offices and 30% showrooms. Business rent is \$40 000 a year and salesmen's salaries are \$12 000 a year.

How much appears in the manufacturing account for these costs?

- A \$24 000
- B \$31 200
- C \$36 000
- D \$46 800

- 11 Financial statements must be free from error and bias. Which accounting policy is being applied?
- A comparability
  - B relevance
  - C reliability
  - D understandability
- 12 Which statement describes the purpose of a trial balance?
- A It checks the arithmetical accuracy of the double entry.
  - B It ensures the ledger accounts contain no errors.
  - C It indicates areas where errors have arisen.
  - D It prevents errors from occurring.
- 13 What is true about a bank reconciliation statement?
- A It forms part of the double entry system.
  - B It is a statement prepared by the bank.
  - C It is prepared to look for errors in the cash book and the bank statement.
  - D It reconciles the opening and closing cash book balances.

**14** An item of inventory has an original cost of \$18 and a replacement cost of \$13. The costs of packing and delivery when the item is sold will amount to \$3. It is expected to be sold for \$20.

At which value should it be included in the financial statements?

- A** \$13
- B** \$16
- C** \$17
- D** \$18

**15** Which statement about debentures is correct?

- A** They carry a fixed rate of dividend.
- B** They carry a fixed rate of interest.
- C** They carry a variable rate of dividend.
- D** They carry a variable rate of interest.

**16** Which account or statement provides a summary of transactions involving trade receivables?

- A** bank reconciliation statement
- B** provision for doubtful debts account
- C** sales ledger control account
- D** statement of financial position

**17** Asma bought a motor vehicle for \$10 000. She depreciated it at the rate of 10% per annum on cost, calculated monthly.

After 18 months she sold the motor vehicle for \$9200.

What was the profit on disposal?

- A** \$200
- B** \$650
- C** \$700
- D** \$1200

  
  
  

**18** At the start of the year Basil had paid \$4500 rent in advance. During the year he paid rent, \$12 000. At the year end he owed \$1500.

What was Basil's annual expense for rent?

- A** \$9 000
- B** \$12 000
- C** \$15 000
- D** \$18 000

  
  
  

**19** Who benefits from a company's limited liability?

- A** its credit customers
- B** its credit suppliers
- C** its debenture holders
- D** its shareholders

**20** The work in progress of a manufacturing business increased during the year. Which effect does this have?

	on cost of production	on gross profit
<b>A</b>	decrease	increase
<b>B</b>	decrease	no effect
<b>C</b>	increase	decrease
<b>D</b>	increase	no effect





**21** What is meant by mark-up?

- A** gross profit measured as a percentage of cost of sales
- B** gross profit measured as a percentage of revenue
- C** profit for the year measured as a percentage of expenses
- D** profit for the year measured as a percentage of revenue





**22** Why would a bank manager look at a trader's financial statements?

- A** to calculate how fast trade payables were being paid
- B** to check if the trader would be able to repay a loan
- C** to find out if customers will receive continuous supplies
- D** to know if inventory levels are too high



23 Min made a payment to Alain, a credit supplier. In error he debited the account of Alun.

Which type of error did Min make?

A commission

B compensating

C original entry

D principle

24 John is a retailer of garden furniture. He bought stationery, \$25, on credit from A4 Supplies. He did not record this in his books of account.

Which entries are needed to correct the error?

	debit account		credit account	
<b>A</b>	A4 Supplies	\$25	stationery	\$25
<b>B</b>	A4 Supplies	\$25	suspense	\$50
	stationery	\$25		
<b>C</b>	stationery	\$25	A4 Supplies	\$25
<b>D</b>	suspense	\$50	A4 Supplies	\$25
			stationery	\$25





25 Which statements describe capital expenditure?

- 1 It is for an item which will last more than a year.
- 2 It is recorded in the income statement.
- 3 It is recorded in the statement of financial position.

A 1 and 2

B 1 and 3

C 2 only

D 3 only

26 The directors of a company provided the following information.

	\$
total equity at start of year	426 000
profit for the year	90 000
dividend paid	40 000
transfer made to general reserve	25 000

What was the total equity at the end of the year?

A \$451 000

B \$476 000

C \$501 000

D \$516 000

27 The purchase on credit of a motor vehicle, \$10 100, was entered in the general journal as \$11000.

Which error was made?

A commission

B compensating

C original entry

D principle

- 28** Which statement is true?
- A** Bad debts are deducted from trade receivables after the provision for doubtful debts is calculated.
- B** Bad debts are deducted from trade receivables before the provision for doubtful debts is calculated.
- C** Bad debts are only written off if there is no provision for doubtful debts.
- D** Provision is only made for doubtful debts if no bad debts have been written off in the year.
- 
- 29** An item cost \$128. It is slightly damaged and can only be sold for \$120. The salesman's commission is 15%.
- At which value is the item included in inventory in the financial statements?
- A** \$102
- B** \$110
- C** \$120
- D** \$128
- 
- 30** Why is an income statement prepared?
- A** to account for the revenues and costs of a period
- B** to calculate the surplus or deficit of an organisation
- C** to list the ledger balances on a particular date
- D** to summarise the business bank account

31 A trader provided the following information.

Net assets at start of year	\$8000
Drawings – cash	\$2100
Drawings – goods	cost \$50, selling price \$90
Net assets at end of year	\$8200

What was his profit for the year?

- A \$1950
- B \$2210
- C \$2350
- D \$2390

  
  
  

32 Where are interest on partners' loans and interest on capital recorded?

	income statement	appropriation account
A	interest on capital	interest on loan
B	interest on loan	interest on capital
C	interest on capital and interest on loan	neither
D	neither	interest on capital and interest on loan

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

	\$
Cost of raw materials consumed	8000
Decrease in work in progress	450
Machine operators' wages	4800
Factory overheads	4100

What was the cost of production?

- A** \$12 800
- B** \$16 450
- C** \$16 900
- D** \$17 350

  
  
  

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

	\$
Sales	3000
Opening inventory	400
Closing inventory	700
Mark-up	50%

What were the purchases for the year?

- A** \$1200
- B** \$1700
- C** \$1800
- D** \$2300

**35** Which statement describes a purpose of accounting?

- A** to check the arithmetical accuracy of the double entry
- B** to ensure that all transactions are recorded
- C** to know the balances on individual customers' and suppliers' accounts
- D** to provide a calculation of profit

**36** A credit customer buys goods with a list price of \$1000. Trade discount is 30% and cash discount is 10%.

Which amount is entered in the customer's account to record the sale?

- A** \$600
- B** \$630
- C** \$700
- D** \$900

**37** Where is discount allowed recorded?

- A** on the credit side of the purchases ledger control account
- B** on the credit side of the sales ledger control account
- C** on the debit side of the purchases ledger control account
- D** on the debit side of the sales ledger control account

**38** Ann's statement of financial position includes the following:

- 1 an amount paid by Ann for a service which has not yet been received
- 2 an amount received by Ann for a service which Ann has not yet provided
- 3 the value of a service received by Ann for which payment has not yet been made

Which item(s) are included in 'other payables'?

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

**39** Hiro wishes to increase his provision for doubtful debts at the end of the year. How does he record this increase?

	debit entry	credit entry	
<b>A</b>	bad debts	provision for doubtful debts	<input type="checkbox"/>
<b>B</b>	provision for doubtful debts	bad debts	<input type="checkbox"/>
<b>C</b>	income statement	provision for doubtful debts	<input type="checkbox"/>
<b>D</b>	provision for doubtful debts	income statement	<input type="checkbox"/>

**40** Thang bought goods costing \$20 each. At the end of the year Thang valued inventory of unsold goods at the selling price of \$30 each.

What is the effect of this valuation?

- A** profit is overstated
- B** profit is understated
- C** purchases are overstated
- D** purchases are understated

41 The directors of a limited company increased the general reserve.

Which item decreased?

- A balance at bank
- B ordinary share capital
- C preference share capital
- D retained earnings

  
  
  

42 A trader provided the following information at the end of the first year of trading.

	\$
revenue	5000
profit for the year	500
expenses	1400
closing inventory	800

What were the purchases for the year?

- A \$2300
- B \$3900
- C \$4900
- D \$6700



**43** A trader had a percentage of gross profit to revenue (gross profit margin) of 30%. His purchases for the year were \$3400 and his inventory increased by \$400. What was his revenue for the year (to the nearest dollar)?

A \$3900

B \$4286

C \$4940

D \$5429

**44** When is financial information considered to be relevant?

A when it affects business decisions

B when it can be compared with other periods

C when it can be understood by the users

D when it is free from error and bias

**45** When Jack prepared his bank reconciliation statement it included an unrepresented cheque.

Which cheque is unrepresented?

A a cheque Jack received and banked but which has not appeared on his bank statement

B a cheque which appears on Jack's bank statement but which has been omitted from his cash book

C a cheque which Jack has issued to a supplier who has not banked it

D a cheque debited twice in Jack's bank statement in an error by the bank

46 Ahmed bought a motor vehicle and paid the following amounts.

	\$
motor vehicle	8000
number plates	100
insurance	400

What was Ahmed's capital expenditure?

- A \$400
- B \$500
- C \$8000
- D \$8100

  
  
  


47 Sasha buys radios at \$20 each. At the year end she has 50 radios in inventory. Of these, 3 radios are damaged and will cost \$17 each to repair.

All the radios are expected to be sold at \$30 each.

What is the value of inventory in the statement of financial position?

- A \$979
- B \$1000
- C \$1449
- D \$1500

  
  
  


48 Which businesses are trading businesses and which are service businesses?

	trading business	service business
A	food retailer	hairdresser
B	food retailer and hairdresser	neither
C	hairdresser	food retailer
D	neither	food retailer and hairdresser

49 An appropriation account showed the following.

		\$
interest on drawings	Sumit	1300
	Tom	1200
interest on capital	Sumit	1000
	Tom	1000
share of residual profit	Sumit	8000
	Tom	4000

What was the total profit for the year?

- A \$7500
- B \$11 500
- C \$12 000
- D \$12 500

  
  
  

50 Barak did not maintain a full set of accounting records in his first year of trading.

How did Barak calculate his credit sales?

- A closing trade receivables + cash received – discount allowed
- B closing trade receivables + cash received + discount allowed
- C closing trade receivables + cash received – discount received
- D closing trade receivables + cash received + discount received

**51** Harpreet is a credit customer of Suzanna. Harpreet's account in Suzanna's books shows a credit balance.

How could the credit balance have arisen?

**A** A cheque from Harpreet was dishonoured.

**B** Harpreet has overpaid his account.

**C** Interest was charged by Suzanna.

**D** Suzanna offered a trade discount.

**52** Why is it necessary for a manufacturing business to make an adjustment for work in progress in its manufacturing account?

1 to calculate what is needed to complete production

2 to record all factory costs

3 to show only the cost of goods completed

**A** 1 and 2

**B** 1 only

**C** 2 and 3

**D** 3 only

**53** On 1 February 2017 Katya's fixtures and fittings had a net book value of \$12 950. She purchased fixtures, \$2250, during the year. Depreciation for the year ended 31 January 2018 was \$4900.

What was the net book value of fixtures and fittings on 31 January 2018?

**A** \$5800

**B** \$7150

**C** \$10 300

**D** \$15 600

**54** The accounts of a business are prepared on the basis that the business will continue to operate for the foreseeable future.

Which accounting principle is being applied?

**A** accruals (matching)

**B** consistency

**C** going concern

**D** realisation

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

	\$
revenue	290 000
gross profit	90 000
profit for the year	70 000

What was the mark-up?

**A** 24.14%

**B** 31.03%

**C** 35.00%

**D** 45.00%

**56** Financial statements must provide information in time for financial decisions to be made.

Which accounting objective is being described?

**A** comparability

**B** relevance

**C** reliability

**D** understandability

57 Which item would be recorded as a credit entry in a purchases ledger control account?

A amounts paid to credit suppliers

B contra with the sales ledger control account

C discount received from credit suppliers

D interest charged on late payment

58 Which statement about the division of the ledger is **not** correct?

A Checking procedures can be introduced.

B Fewer entries are needed in the sales and purchases accounts.

C It is easier for reference and for locating accounts.

D Work can be shared between two or more book-keepers.

59 Which account may appear as a credit balance in a trial balance?

A carriage outwards

B discount received

C drawings

D inventory

60 Insurance prepaid, \$120, was treated as an accrual in the income statement.

Which effect did this have on the profit for the year?

A overstated \$120

B overstated \$240

C understated \$120

D understated \$240