



Cambridge IGCSE™ (9–1)

ACCOUNTING

0985/12

Paper 1 Multiple Choice

October/November 2025

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.

This document has **12** pages.



- 1 What is **not** an example of a book-keeping entry?
- A an entry made in the bank column of the cash book for a cheque received
 - B any goods returned by a customer entered in the sales returns journal
 - C cost of goods purchased on credit entered in the supplier's account
 - D expenses paid during the year entered in the income statement

- 2 What are liabilities?
- A amounts that are owed to or owned by a business
 - B amounts that are owed to others for resources provided
 - C amounts that need to be written off
 - D amounts that the owner owes to the business

- 3 Sally maintains a full set of accounting records.

She has entered the following transactions in her cash book.

- 1 A cheque for \$200 was received from a credit customer.
- 2 An insurance premium of \$200 was paid by cheque.
- 3 Petrol for the delivery van was paid for in cash.
- 4 Total cash sales of \$400 were received.

Which transactions will then be entered into the nominal ledger?

- A 1 and 4 B 1 only C 2, 3 and 4 D 2 and 3 only
- 4 An account in the purchases ledger of X Limited has a debit balance.
- What does this balance represent?
- A an amount owed by X Limited
 - B an amount paid to X Limited
 - C a prepayment made by X Limited
 - D total purchases made by X Limited

- 5 The following account appeared in the books of Mary.

Paul account					
		\$			\$
April 1	balance b/d	90	April 21	returns	25
14	sales	150	30	bank	88
				discount	2
		—		balance c/d	<u>125</u>
		<u>240</u>			<u>240</u>

Which statement is correct?

- A On 1 April, Paul owed Mary \$90.
 B On 14 April, Paul sold goods for \$150 to Mary.
 C On 21 April, Mary returned goods for \$25 to Paul.
 D On 30 April, Mary owed Paul \$125.

- 6 A supplier has received a debit note from a customer.

What does the supplier use this debit note for?

- A to complete a statement of account
 B to correct the sales journal
 C to make an entry in the sales returns journal
 D to prepare a credit note
- 7 Sue allows 2% cash discount to credit customers who settle their account within 28 days.

Jane purchased goods for \$200 from Sue on 10 September but returned these goods to Sue on 15 September.

Which entry did Sue make for the transaction on 15 September?

- A purchases returns journal \$196
 B purchases returns journal \$200
 C sales returns journal \$196
 D sales returns journal \$200

- 8 A trader prepared their trial balance which showed the debit column total of \$45 000 and the credit column total of \$40 000.

The following errors were then discovered.

- 1 The discount received account balance of \$500 was listed in the debit column of the trial balance.
- 2 The returns outwards account balance of \$250 was omitted from the trial balance.
- 3 The debit column of the trial balance was overcast by \$3750.

All errors were corrected and the trial balance totals agreed.

What were the trial balance totals after the correction of errors?

- A** \$40 500 **B** \$40 750 **C** \$41 000 **D** \$ 44 500

- 9 Ahmed's trial balance totals did **not** agree. He entered the difference in a suspense account.

The following errors were later discovered.

- 1 A payment of \$200 for a vehicle repair had been debited to the motor vehicles account.
- 2 Drawings of \$150, correctly recorded in the cash book, had **not** been posted to the drawings account.
- 3 The sales journal had been undercast by \$900.

What was the original balance on Ahmed's suspense account?

- A** \$550 **B** \$750 **C** \$950 **D** \$1050

- 10 Susanne is a trader. She received a cheque from Zahir, a credit customer, for \$300. This cheque was incorrectly debited to Zahir's account and credited to the bank account.

Which journal entry corrects this error?

		debit \$	credit \$
A	bank Zahir	300	300
B	bank Zahir	600	600
C	Zahir bank	300	300
D	Zahir bank	600	600

- 11 A trial balance does **not** agree, and a suspense account is opened.

Which statement is **not** correct?

- A** Errors of commission and errors of original entry are entered in the suspense account.
- B** The trial balance difference is entered in the suspense account.
- C** The suspense account remains open until all the errors preventing the agreement of the trial balance have been corrected.
- D** When all of the errors found have been corrected, there will be **no** balance carried down in the suspense account.
- 12 After receiving her bank statement, Lyn updated her cash book.

Which items would reduce the overdrawn balance in the cash book?

- 1 bank interest received
- 2 credit transfer received
- 3 direct debit payment

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

- 13** Natalie is both a customer of and a supplier to Gustav.

On 28 June, Gustav's account in Natalie's purchases ledger had a credit balance of \$295, and his account in Natalie's sales ledger had a debit balance of \$140.

Gustav wishes to offset one amount against the other.

Which entries will Gustav make in his control accounts?

	debit	credit
A	purchases ledger control account \$140	sales ledger control account \$140
B	purchases ledger control account \$155	sales ledger control account \$155
C	sales ledger control account \$140	purchases ledger control account \$140
D	sales ledger control account \$155	purchases ledger control account \$155

- 14** Johnny prepared his sales ledger control account. The figures in it came from several different sources.

Which statements are correct?

- 1 The source of the opening balance was the sales account.
- 2 The discount allowed was totalled in the three-column cash book.
- 3 The irrecoverable debts were posted from the general journal.

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

- 15** At the beginning of the year on 1 January, Zac paid \$420 for an equipment repair. He entered this amount in the equipment account.

At the end of the year on 31 December, depreciation of 20% per annum was charged on the balance of the equipment account, using the straight-line method.

What was the overall effect on the book value of the equipment on 31 December?

- A** \$84 understated
B \$336 overstated
C \$420 overstated
D \$504 understated

- 16** Why does a business need to provide for depreciation in its accounting records?
- A** to ensure availability of funds to replace its old non-current assets
 - B** to ensure that its current assets value is **not** overstated
 - C** to record as an expense the amount of the non-current assets used up during the year
 - D** to show its non-current assets at their market value
- 17** An asset originally costing \$20 000 had been depreciated by \$15 000 when it was sold for \$3000.
- Which entry will be shown in the disposal account to record the amount to be transferred to the income statement?
- A** \$2000 credit
 - B** \$2000 debit
 - C** \$8000 credit
 - D** \$8000 debit
- 18** Why should prepaid income be shown in the financial statements of a business?
- A** so that credit customers pay the correct amount
 - B** so that payments to credit suppliers are correctly recorded
 - C** so that the statement of financial position shows the correct current assets
 - D** so that the total income is matched against the total costs of the same period
- 19** What is the effect on total assets and on equity in the statement of financial position if the value of closing inventory is overstated?

	total assets	equity
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

20 Who works in a service business?

- 1 a hairdresser
- 2 an estate agent
- 3 a car mechanic
- 4 a car salesperson

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

21 At the beginning of the year on 1 January, Keith was owed \$1500 commission by clients.

During the year, Keith received \$18 000 commission.

At the end of the year on 31 December, Keith was owed \$800 commission by clients.

How much commission did Keith record in his income statement for the year ended 31 December?

- A \$15 700
- B \$17 300
- C \$18 700
- D \$20 300

22 Jack and Gill are setting up in business as partners and are considering writing up a partnership agreement.

What is **not** included in any partnership agreement drawn up by them?

- A the rate of interest to be charged on drawings
- B the rate of interest to be paid on a loan from a partner
- C the rate of interest to be paid on a loan received from the bank
- D the rate of interest to be paid on the capital invested by each partner

23 Raj and Rohit are in partnership sharing profits and losses in the ratio of 2 : 1. Raj is entitled to an annual salary of \$3000. The profit for the year was \$14 100 for the year ended 31 December 2024.

On 1 January 2024, Raj's current account had a debit balance of \$1800.

What was the credit balance on Raj's current account on 1 January 2025?

- A \$8600
- B \$10 400
- C \$12 200
- D \$12 400

24 BCD Limited provided the following information.

	\$
ordinary shares	300 000
retained earnings	200 000
debentures	170 000

How much was the equity and the capital employed of BCD Limited?

	equity \$	capital employed \$
A	300 000	470 000
B	300 000	670 000
C	500 000	470 000
D	500 000	670 000

25 Which statement correctly describes called-up share capital?

- A** all share capital which has been issued to shareholders
- B** shares which have been issued and those **not** yet issued
- C** the share capital for which payment has been requested
- D** the value of shares for which payment has been received

26 A sports club was established on 1 January. It has a clubhouse and also runs a snack bar for its members.

Which items would be included in the receipts and payments account for the first year ended 31 December?

- 1 new furniture to be used in the clubhouse, paid by credit transfer
- 2 subscriptions paid by club members in advance for the next financial year
- 3 subscriptions owing by club members at the end of the financial year
- 4 snack bar wages owing at the end of the financial year

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

- 27 A sports club started running a café, selling hot and cold drinks and confectionery, on 1 January 2024. The following information is given for the year ended 31 December 2024.

	\$
sales	3200
purchases	1750
wages paid to café assistant	500
inventory at 31 December 2024	250

What is the profit on the café for the year ended 31 December 2024?

- A** \$700 **B** \$950 **C** \$1200 **D** \$1450
- 28 A manufacturing business provided the following information.

	\$
prime cost	236 000
factory overheads	42 000
opening work in progress	8 000
closing work in progress	6 000

What was the factory cost of production transferred to the income statement?

- A** \$234 000 **B** \$238 000 **C** \$276 000 **D** \$280 000
- 29 Gem has been in business for many years. On 1 March, Gem purchased a new factory. On that date, he paid three months' insurance on his factory, totalling \$900.

What should Gem enter for insurance in his statement of financial position on 31 March?

- A** \$300 in current assets
B \$300 in current liabilities
C \$600 in current assets
D \$600 in current liabilities

30 Munira has **not** maintained a full set of accounting records.

How would she calculate her credit purchases figure for a month?

- A payments to credit suppliers + closing trade payables – discounts received – opening trade payables
- B payments to credit suppliers – closing trade payables + discounts received + opening trade payables
- C payments to credit suppliers – closing trade payables – discounts received + opening trade payables
- D payments to credit suppliers + closing trade payables + discounts received – opening trade payables

31 The assets of a business increased by \$22 000 and its liabilities decreased by \$6000 over a one-year period.

During this period, the owner invested an additional \$4000 of private funds into the business and withdrew \$7000 for personal use.

How much was the profit for the year?

- A \$13 000 B \$17 000 C \$19 000 D \$31 000

32 Jonny provided the following information.

	\$
inventory	3500
cash	100
bank overdraft	1900
trade receivables	2400
trade payables	2100

What was Jonny's current ratio?

- A 1.33 : 1 B 1.50 : 1 C 1.58 : 1 D 1.95 : 1

33 Jose runs a business providing accounting and book-keeping services.

What is **not** relevant in analysing his business financial statements?

- A current ratio
- B profit margin
- C rate of inventory turnover
- D return on capital employed

34 Jamila's business sells one type of product only. She provided the following information.

	year 1	year 2
number of units sold	1000	1000
sales revenue	\$8000	\$10 800
rate of inventory turnover	28 days	31 days

What happened in year 2?

- A The sales price decreased, and goods were sold faster.
 - B The sales price decreased, and goods were sold more slowly.
 - C The sales price increased, and goods were sold faster.
 - D The sales price increased, and goods were sold more slowly.
- 35 Antionette decides to treat a calculator bought for her large business as an expense instead of as a non-current asset even though it will be used for several years.

Which principle did Antionette apply in deciding to account for the calculator as an expense?

- A duality
- B historic cost
- C materiality
- D money measurement

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