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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **October/November 2020**

1 hour

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** 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 30.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has **12** pages. Blank pages are indicated.

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1 The inclusion of unpaid loan interest in financial statements is in accordance with which accounting concept?

A consistency

B going concern

C matching

D money measurement

2 What is depreciation?

A a means of allocating the cost of a non-current asset over its useful life

B a measure of the decrease in market value of a non-current asset

C an outflow of cash from the use of a non-current asset

D the expense spent on the non-current asset

3 A trader depreciates fixtures and fittings at the rate of 10% per annum on cost. On 1 January 2019 a purchase of new fixtures and fittings, $5000, was posted to the advertising account in error.

What was the effect of this error on the trader's capital account on 31 December 2019?

A overstated $4500

B overstated $5000

C understated $4500

D understated $5000

4 A company had a non-current asset which cost $370 000. The asset had a 10-year useful life and an estimated residual value of $20 000. A full year's charge for depreciation is made in every year of use.

After four years the asset was sold. The loss on disposal was $30 000 and disposal costs were $10 000.

What were the sale proceeds?

A $192 000 **B** $200 000 **C** $202 000 **D** $210 000

5 Which item is recorded on the debit side of a sales ledger control account?

A interest charged on overdue accounts of customers

B irrecoverable debts written off

C returns of goods supplied to credit customers

D total of cash sales

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6 A trader prepared a trial balance which did not balance. The difference was posted to a suspense account.

The following errors have now been found.

1 The returns inwards account had been overcast by $90.

2 A payment of $200 for rent had been entered correctly in the cash book but had not been posted to the rent account.

What was the opening balance on the suspense account?

A $110 credit

B $110 debit

C $290 credit

D $290 debit

7 How could a credit entry of $500 in X's account have arisen in the books of account of Y?

A X bought goods from Y.

B X returned goods to Y.

C Y made a payment to X.

D Y returned goods to X.

8 An invoice for purchases was credited to the purchases account.

How will the balance on the purchases account be corrected?

A decrease by the value of the invoice

B decrease by twice the value of the invoice

C increase by the value of the invoice

D increase by twice the value of the invoice

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9 Rent is paid by a business monthly in advance on the first day of each month. The payments during a financial year were as follows.

up to and including 1 June	$500 per month
from 1 July	$600 per month

Which amounts will appear in the financial statements for the year ended 31 October?

	income statement	statement of financial position
A	$6300	$600 other receivables
B	$6300	$600 other payables
C	$6400	–
D	$6500	–

10 What is the effect on profit for the year and net assets when accrued expenses are understated?

	profit for the year	net assets
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

11 Ali's trade receivables at 31 December 2019 were $26 500. He knew that $400 of these were irrecoverable.

He wished to maintain a provision for doubtful debts equal to 5% of the trade receivables.

At 1 January 2019 the balance of the provision for doubtful debts was $1200.

Which entry does Ali make in the provision for doubtful debts account at 31 December 2019?

A $105 credit

B $105 debit

C $125 credit

D $125 debit

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12 Adil and Bashir were in partnership sharing profits and losses in the ratio 2 : 1.

Chandra joins the partnership and profits and losses are now to be shared between Adil, Bashir and Chandra in the ratio 3 : 2 : 1.

The balances of the partners' capital accounts prior to Chandra joining the partnership are as follows:

	$
Adil	20 000
Bashir	10 000

Goodwill is to be valued at $36 000 and is not to be retained in the books of account.

What is the balance on Adil's capital account after Chandra joined the partnership?

A $20 000 **B** $26 000 **C** $38 000 **D** $44 000

13 How is a loss on realisation recorded when a partnership is dissolved?

A Credit each partner's capital account equally.

B Debit each partner's capital account equally.

C Credit each partner's capital account in the profit-sharing ratio.

D Debit each partner's capital account in the profit-sharing ratio.

14 John and Brian are in partnership sharing profits and losses equally. John receives a salary of $2000 per annum. Brian loaned the business $5000. He is entitled to interest of 5% per annum.

The profit for the year before appropriation was $24 000. During the year John took drawings of $3000.

What will be the amount of residual profit Brian will receive for the year?

A $9375 **B** $10 875 **C** $11 000 **D** $11 250

15 A company issued 100 000 ordinary shares of $1 each at a premium of $2. The market value was $4 per share.

Which statement is **not** correct?

A Capital reserves increased by $200 000.

B Cash and cash equivalents increased by $300 000.

C Ordinary share capital increased by $100 000.

D Revenue reserves increased by $400 000.

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16 Which item has **no effect** on the total equity of a limited company?

A bonus issue of shares

B dividends paid

C rights issue of shares

D upward revaluation of non-current assets

17 Information relating to W Limited for the year ended 31 December 2019 was as follows:

	$
retained earnings at 1 January 2019	22 000
profit from operations	83 000
dividend paid	20 000
dividend proposed	15 000
bank loan interest	16 000

What was the amount of retained earnings at 31 December 2019?

A $32 000 **B** $47 000 **C** $54 000 **D** $69 000

18 Which financial information is **not** available for potential shareholders of a limited company?

A cash budget

B income statement

C notes to financial statements

D statement of changes in equity

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19 The following information is available.

	$	$
revenue		600 000
opening inventory	46 000	
purchases	244 000	
	290 000	
closing inventory	50 000	240 000
gross profit		360 000
expenses		150 000
profit from operations		210 000

What was the rate of inventory turnover (in times)?

A 4.8 **B** 5 **C** 12 **D** 12.5

20 A company's financial statements for the year ended 31 December showed the following:

	$
issued share capital	150 000
non-current liabilities	280 000
reserves including retained earnings	250 000

The company's profit from operations was $160 000 and the profit for the year was $120 000.

What was the company's return on capital employed?

A 23.5% **B** 30.0% **C** 37.2% **D** 40.0%

21 Which cost can be classified as a fixed cost?

A bank overdraft interest

B piece rate labour cost

C sales commission

D telephone rental

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22 An employee works a 40-hour week at an hourly rate of $8.

She receives a bonus of 30% of the hourly rate for time saved producing each unit. The target production time is 30 minutes per unit.

Last week she worked 40 hours and produced 90 units.

What were her gross earnings for the week?

A $320 **B** $332 **C** $360 **D** $416

23 A business uses the weighted average (AVCO) method to value its inventory.

It purchased the following units of inventory.

units	cost per unit $	total cost $
100	36	3600
120	48	5760
80	54	4320

After these receipts it issued 250 units to production.

What was the value of the issue?

A $10 980 **B** $11 400 **C** $11 500 **D** $11 880

24 A business provides the following information.

month	number of machine hours	overheads $
April	34 000	493 000
May	67 000	625 000

The variable overhead rate per machine hour was $4.

What was the monthly fixed overhead cost?

A $132 000 **B** $136 000 **C** $268 000 **D** $357 000

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25 A business absorbs its fixed overheads using direct labour hours.

The following information is provided.

	actual	budgeted
overheads	$600 000	$508 000
labour hours	14 300	12 700

Which statement is correct?

A Overheads were over absorbed by $28 000.

B Overheads were under absorbed by $28 000.

C Overheads were over absorbed by $92 000.

D Overheads were under absorbed by $92 000.

26 A company sells a single product for $24 per unit.

The variable cost is $8 per unit.

Fixed costs have been absorbed based on a normal activity level of 1000 units at $6 per unit.

What is the profit under marginal costing if the company makes and sells 1250 units?

A $10 000 **B** $12 500 **C** $14 000 **D** $20 000

27 A product has the following revenue and costs per unit.

	$
selling price	40
marginal cost	22
fixed manufacturing overhead	6
non-manufacturing overhead	2

What is the contribution to sales ratio?

A 25% **B** 30% **C** 45% **D** 55%

28 Which statements about cost–volume–profit analysis are correct?

1 It applies over any time period.

2 It is suitable for any range of output.

3 Profits are calculated using marginal costing.

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

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29 Total costs at two levels of production are as follows.

units	$
10 000	230 000
16 000	320 000

Fixed costs will increase by $30 000 if more than 20 000 units are produced.

What are the total costs if 25 000 units are produced?

A $405 000 **B** $485 000 **C** $530 000 **D** $605 000

30 Which are benefits of a budgetary control system?

1 It can be used to control expenditure.

2 It can be used to record accounting transactions.

3 It can help when applying for a loan.

4 It can identify where improvements are required.

A 1, 2, 3 and 4

B 1 and 2 only

C 1, 3 and 4 only

D 3 and 4 only

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