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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **February/March 2021**

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.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

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1 A business values its inventory at the lower of cost and net realisable value.

Which accounting concept is being applied?

A business entity

B duality

C matching

D prudence

2 On 1 May, Tom sold an old motor vehicle with a net book value of $10 000 to Arnold for $12 000. Arnold paid $7500 by cheque and agreed to pay the balance by instalments.

What was the net effect of these transactions on **Arnold**'s accounting equation on 1 May?

	assets $	liabilities $	owner's equity / capital $
A	increase 2500	increase 2500	no effect
B	increase 2500	increase 4500	decrease 2000
C	increase 4500	increase 2500	increase 2000
D	increase 4500	increase 4500	no effect

3 Which item is **not** included as part of the capital cost of a new machine?

A cost of delivering the machine to the factory

B cost of installing the new machine

C interest on a loan used to buy the machine

D invoice price of the machine

4 Why does a business charge depreciation on its non-current assets?

A to retain profits for the replacement of worn out assets

B to show the correct value of the asset in the statement of financial position

C to show when an asset needs replacing

D to spread the cost of the assets over their useful lives

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5 The net book value of motor vehicles of a company is shown.

beginning of the year	end of the year
$312 000	$305 000

During the year, an old vehicle was traded in as part exchange for a new vehicle. The part exchange value of the old vehicle was $8000. The remaining purchase price of the new vehicle, $30 000, was paid by cheque.

What was the depreciation charge for the year?

A $29 000 **B** $37 000 **C** $45 000 **D** $53 000

6 The bank statement of a business showed a credit balance of $4520. This did not agree with the cash book. The following were discovered.

1 Bank charges of $89 had not been entered in the cash book.

2 There were unpresented cheques paid to suppliers of $680.

3 A dishonoured cheque for $210 appeared on the bank statement, but was not shown in the cash book.

4 Sales receipts of $750 had been entered in the cash book, but did not appear on the bank statement.

What is the bank balance to be shown in the statement of financial position?

A current asset $4501

B current asset $4590

C current liability $4450

D current liability $4539

7 What may help a book-keeper detect errors in the accounting records of a business?

1 books of original entry

2 sales ledger control account

3 statement of financial position

4 trial balance

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

8 The closing balance on a purchases ledger control account is $163 762. The purchases journal has been undercast by $1000.

What is the correct closing balance on the purchases ledger control account?

A $162 762 **B** $163 762 **C** $164 762 **D** $165 762

9 A business has calculated its draft profit for the year as $15 000. The following were then discovered.

1 General expenses were understated by $600.

2 The sales journal total of $55 690 had been posted to the sales account as $56 590.

3 Repairs to vehicles of $1100 had been entered in the vehicles (at cost) account.

4 The salaries account included travelling expenses of $2400 paid to the salesmen.

What was the correct profit for the year?

A $12 400 **B** $13 600 **C** $14 200 **D** $14 800

10 A sole trader maintains a provision for doubtful debts at 5% of trade receivables. Provision for doubtful debts at the start of the year was $2750. The following information is available at the end of the year.

	$
trade receivables	37 500
irrecoverable debts written off during the year	500

What is the effect on the profit for the year due to the change in the provision for doubtful debts?

A decrease by $875

B decrease by $900

C increase by $875

D increase by $900

11 Esarba has a financial year end of 31 December.

On 31 March 2020, she transferred her private vehicle to the business at a value of $12 000.

Her profit for the year ended 31 December 2020 was $7800 and her cash drawings amounted to $8000. Depreciation of $900 had been provided on the vehicle.

She also took goods for her own use with a cost price of $1000 and a selling price of $2000.

What was the increase in Esarba's capital account balance in the year ended 31 December 2020?

A $8900 **B** $9800 **C** $9900 **D** $10 800

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12 At the end of his first year of trading, the trader lost all of his inventory in a fire. He knows the values of sales and purchases and wishes to calculate the value of the inventory lost.

Which ratio should he use?

A gross margin

B profit margin

C trade payables turnover

D trade receivables turnover

13 X and Y were in partnership sharing profits and losses equally.

Z was admitted as a partner and the profit and loss sharing ratio for X, Y and Z will be 2 : 2 : 1 respectively.

On the date of admission, the value of non-current assets was increased by $48 000.

Goodwill was valued at $30 000 but would not be retained in the books of account.

What was the effect on X's capital account?

A increased by $19 200

B increased by $24 000

C increased by $27 000

D increased by $31 200

14 Which items would appear in a partnership's appropriation account, in the absence of a partnership agreement?

1 profit for the year

2 partners' interest on drawings

3 partners' salaries

4 partners' share of profits

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

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15 Annie and Bernie have been in partnership for some years, sharing profits and losses in the ratio 2 : 1.

On 1 January 2020, they decided to introduce interest on drawings. The annual interest on drawings for the year ended 31 December 2020 was $1300 for Annie and $800 for Bernie.

Which effect did this change have on the balance on Annie's current account at 31 December 2020?

A decrease of $100

B decrease of $500

C increase of $100

D increase of $500

16 The total of shareholders' equity at 31 December 2019 was $45 500.

During the year ended 31 December 2020, the following took place.

1 An issue of 10 000 ordinary shares of $1 each at a premium of $0.25 was made.

2 A bonus issue of 5000 shares of $1 each was made.

3 Buildings were revalued from $250 000 to $265 000.

4 The profit for the year was $20 400.

5 There was a transfer to the general reserve of $6000.

6 The directors proposed a final dividend of $8000.

What was the balance of the shareholders' equity at 31 December 2020?

A $85 400 **B** $87 400 **C** $93 400 **D** $98 400

17 The following relates to a limited company during a year.

	$
repayment of a debenture	200 000
receipt from issue of ordinary shares	500 000
non-current assets purchased by cheque	300 000
net book value of disposals	50 000
disposal proceeds	60 000
revaluation surplus	20 000

What was the total net cash inflow arising from these?

A $60 000 **B** $70 000 **C** $80 000 **D** $110 000

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18 What is included in the reserves of a limited company?

A debentures

B ordinary shares

C preference shares

D share premium

19 Which ratio will help a business assess its ability to meet its immediate cash requirements?

A expenses to revenue

B liquid (acid test)

C non-current asset turnover

D return on capital employed

20 The following information for a business was available at the end of its financial year.

	$
inventory	20 000
bank	8 400 credit
trade receivables	35 000
trade payables	15 000
rent receivable in arrears	3 000

There is also a 5-year bank loan of $20 000 repayable in equal annual instalments.

What was the current ratio?

A 2.12 : 1 **B** 2.88 : 1 **C** 3.52 : 1 **D** 4.43 : 1

21 A manufacturing company pays its production employees basic wages at the same hourly rate every week. It also pays them a bonus based on achieving production targets.

What sort of cost is this an example of?

A fixed cost

B semi-variable cost

C stepped cost

D variable cost

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22 A company receives the following units of raw material into inventory.

units	per unit $	total $
120	38	4560
100	40	4000
60	44	2640

It then issued 240 units.

Inventory is valued using the weighted average (AVCO) method.

What was the closing value of inventory?

A $1440 **B** $1520 **C** $1600 **D** $1760

23 The budgeted data of N Limited is as follows.

production level	total costs
15 000 units	$406 000
25 000 units	$546 000

What is the budgeted fixed cost?

A $196 000 **B** $238 000 **C** $336 000 **D** $357 000

24 In March, a company's overhead absorption rate was $2 per machine hour. In April this rate increased.

What had **increased** in April causing the change in the overhead absorption rate?

A cost of insurance for the factory

B hourly pay rate of production workers

C number of actual machine hours worked

D number of budgeted machine hours

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25 A business absorbs its overheads on the basis of machine hours.

The following information is provided.

	actual	budgeted
overheads	$564 000	$560 000
machine hours	6700	7000

By how much are overheads under or over-absorbed?

A over-absorbed by $4000

B under-absorbed by $4000

C over-absorbed by $28 000

D under-absorbed by $28 000

26 Which situation is **not** usually suitable for the use of marginal costing?

A negotiating a regular selling price with a customer

B quoting a selling price for a special order

C when there is a shortage of direct material for the next month

D whether to make or buy-in a product

27 The following budgeted information is available for 10 000 units.

	per unit $
selling price	53
direct materials and wages	22
variable manufacturing overhead	2
fixed manufacturing overhead	21
variable selling expenses	1
fixed selling expenses	5

What is the budgeted break-even point in units?

A 7242 **B** 7500 **C** 8966 **D** 9286

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28 The budgeted income statement of J Limited shows the following.

	$
sales	400 000
variable costs	240 000
fixed costs	132 000
profit for the year	28 000

What is the margin of safety in dollars?

A $70 000 **B** $160 000 **C** $268 000 **D** $330 000

29 A business provided the following budgeted information.

	$
break-even sales revenue	300 000
fixed costs	180 000
target profit	144 000

What is the sales revenue required to achieve the target profit?

A $486 000 **B** $540 000 **C** $624 000 **D** $810 000

30 Which factors should be considered when setting a budget?

1 availability of skilled labour

2 production capacity

3 quality of goods to be produced

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

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