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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **October/November 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 trader has prepared financial statements which include unpaid wages to her employees.

Which accounting concept is being applied?

A business entity

B duality

C matching

D substance over form

2 On which basis will non-current assets be valued if the business is **not** a going concern?

A net book value

B original cost

C the amount they could be sold for

D the value placed on them by the owner

3 A business has a financial year end of 31 December.

It depreciates its machinery on a month-by-month basis. It uses the straight-line method at 10% per annum.

It bought a machine, cost $12 000, on 1 January 2019 and sold it on 31 March 2020.

Which entries relating to this machine were made in the provision for depreciation of machinery account for the year ended 31 December 2020?

	debit side $	credit side $
A	300	1500
B	no entry	1200
C	1200	no entry
D	1500	300

4 A business purchased a non-current asset for $500 000 with an expected life of 20 years. After that time it was expected to be sold for $100 000. It was depreciated using the straight-line method.

The non-current asset was sold after 10 years for $120 000 with selling costs of $10 000.

What was the loss on disposal?

A $130 000 **B** $140 000 **C** $180 000 **D** $190 000

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5 Which items are capital expenditure?

1 payment of wages to staff to install new equipment

2 purchase of a new computer for office

3 purchase of spare parts for factory equipment

4 use of factory machinery to repair owner's car

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

6 A sales ledger control account showed a debit balance of $15 000.

The following errors were discovered.

1 Returns outwards, $200, had been credited in the sales ledger control account.

2 A contra entry with the purchases ledger control account, $400, had been debited in the sales ledger control account.

3 A customer balance, $300, had been written off in the sales ledger control account but no entry had been made in the sales ledger.

Which figure for trade receivables should appear in the statement of financial position?

A $14 400 **B** $15 200 **C** $15 600 **D** $15 700

7 The bank account had a debit balance of $5760 in the cash book at 31 May.

The following items were identified when reconciling the bank account with the bank statement.

	$
amount not yet credited by bank	900
bank charges	120
dishonoured cheque	340
unpresented cheque	740

What was the amount shown in the bank statement at 31 May?

A $3660 **B** $5140 **C** $5460 **D** $5820

8 A trader maintains a full set of accounting records. Each month she issues many sales invoices.

Where does she record an individual sales invoice?

A sales journal and sales ledger

B sales journal and sales ledger control account

C sales ledger and sales account

D sales ledger and sales ledger control account

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9 Brian had a service business which held no inventory. His current assets and current liabilities at 1 April were as follows.

	$
trade receivables	10 000
trade payables	6 100
bank overdraft	1 900

On that date he set off a sales ledger balance, $600, against a purchases ledger balance and then created a provision for doubtful debts of 5%.

What was the value of his working capital after these adjustments?

A $1470 **B** $1500 **C** $1530 **D** $1900

10 Frieda's provision for the doubtful debts account for the year included a debit entry representing the change in the amount provided. The rate of provision for doubtful debts has not changed.

What might have happened during the year to make this entry necessary?

1 Credit control procedures had been improved.

2 Credit control procedures had been reduced.

3 Total trade receivables had decreased.

4 Total trade receivables had increased.

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

11 A trader's income statement recorded sales, $10 000, and cost of sales, $7070. The trader had taken goods for his own use during the year, cost $280, selling price $410, but had omitted to record this.

What effect did the omission have on the gross margin?

A 2.8% overstated

B 2.8% understated

C 4.1% overstated

D 4.1% understated

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12 William buys radios for $10 each and sells them for $15 each.

His draft statement of financial position included a value of $1500 for inventory.

His method of calculation of inventory was correct.

He then found that 12 radios could only be sold for $8 each and 4 radios had been stolen.

By how much should William reduce his inventory valuation?

A $64 **B** $84 **C** $124 **D** $144

13 A sole trader has **not** kept a full set of double-entry records.

The following information relates to the business for the year ended 31 March 2021.

	$
sales	210 000
inventory at 1 April 2020	17 600
inventory at 31 March 2021	18 700
prepaid expense at 1 April 2020	630
expenses paid by cheque	11 900

All goods are marked up by 25%.

What were the purchases and profit for the year?

	purchases $	profit for the year $
A	158 600	40 150
B	168 000	29 470
C	168 000	30 730
D	169 100	29 470

14 Which statement is correct in the absence of a partnership agreement?

A Interest is charged on drawings at 5%.

B Only one partner can have a salary.

C Partners are not entitled to interest on capital.

D Profits and losses are shared in the ratio of partners' capital contribution.

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15 X and Y are in partnership sharing profits and losses equally. They have combined capital account balances of $200 000.

Z was admitted as a partner. Non-current assets were revalued upwards by $30 000. Goodwill was valued at $20 000 but was **not** to be retained in the books of account.

Following Z's admission the total of the partners' capital accounts was $270 000.

How much capital did Z contribute?

A $20 000 **B** $40 000 **C** $50 000 **D** $70 000

16 A company's statement of financial position at 1 January 2020 included the following amounts.

	$
ordinary shares of $5 each	800 000
general reserve	80 000
retained earnings	120 000

The following transactions took place during the year ended 31 December 2020.

1 The company issued a further 50 000 ordinary shares at a premium of $1 per share.

2 The company's land was revalued upwards by $130 000.

3 The company paid a final dividend of $60 000.

What were the total revenue reserves and capital reserves at 31 December 2020 after these three transactions?

	total revenue reserves $	total capital reserves $
A	140 000	180 000
B	190 000	130 000
C	200 000	180 000
D	250 000	130 000

17 A company revalued its premises upwards.

Which statement about the increase in value is correct?

A It is an unrealised profit.

B It is debited to the revaluation reserve.

C It is recorded in the income statement.

D It can be used to pay cash dividends.

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18 The table shows equity and liabilities of a company at 31 December 2020.

	$
ordinary share capital	750 000
6% debentures (2030)	150 000
bank loan (repayable 2024)	75 000
bank overdraft	110 000
mortgage on buildings (repayable 2021)	120 000

What is the total of non-current liabilities in the statement of financial position at 31 December 2020?

A $195 000 **B** $225 000 **C** $270 000 **D** $345 000

19 The non-current asset turnover of a business improved between 2020 and 2021, even though the net revenue was the same for both years.

What caused the improvement in the ratio?

A a reduction in the level of irrecoverable debts being incurred

B an upwards revaluation of the premises at the year end

C depreciation charged being higher than the cost of new non-current assets

D purchases of new non-current assets being greater than disposals

20 A business provides the following information.

	$
trade payables	39 540
opening inventory	15 450
closing inventory	32 780
credit purchases	184 600
credit sales	230 600

What is the trade payables turnover?

A 63 days **B** 72 days **C** 79 days **D** 87 days

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21 When a company produces 5000 units of a product it requires one supervisor.

If production is increased beyond 5000 units then two supervisors are required.

Which type of cost is this an example of?

A fixed

B semi-variable

C stepped

D variable

22 A business employs 20 workers as production staff. Each worker is employed for 40 hours per week at a rate of $7.80 per hour.

Bonus is calculated at 20% of basic rate pay per hour for each product manufactured above 120 units per employee.

In a week, **each** employee produced 145 units.

What were the total wages for the week?

A $7020 **B** $9984 **C** $10 764 **D** $10 920

23 A business uses absorption costing to set its selling prices.

Which overheads are accounted for by the use of the overhead absorption rate?

A total production, administrative and selling

B total production only

C variable production, administrative and selling

D variable production only

24 A business uses absorption costing and applies a mark-up of 50% when setting selling prices.

Each unit of product X has a direct cost of $60 and a selling price of $150 and requires two hours of machine time.

What is the overhead absorption rate per machine hour?

A $7.50 **B** $15.00 **C** $20.00 **D** $40.00

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25 A business had no opening inventory. In one month it produced 4000 units and sold 3500 units. The following information is available.

	per unit $
selling price	70
variable cost	30
fixed cost	15

How would inventory value and profit vary between using absorption costing and marginal costing?

	inventory value	profit
A	absorption costing higher by $7500	absorption costing higher by $7500
B	absorption costing higher by $7500	absorption costing lower by $7500
C	marginal costing higher by $7500	marginal costing higher by $7500
D	marginal costing higher by $7500	marginal costing lower by $7500

26 Which costs are part of the marginal cost of a product?

1 direct material

2 fixed production

3 fixed selling and distribution

4 variable production

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

27 A company provided the following information.

	$
variable costs	540 000
contribution	360 000
fixed production costs	100 000
fixed selling and distribution costs	320 000

What is its budgeted break-even sales revenue?

A $420 000 **B** $460 000 **C** $700 000 **D** $1 050 000

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28 Details for two products made by a company were as follows.

	product X $	product Y $
selling price per unit	13	8
variable cost per unit	11	4

The company could sell a maximum of 11 000 units of X and 9000 units of Y.

However, the company cannot produce more than 10 000 units of X and Y together due to production constraints.

Which production mix will maximise profits?

	units of X	units of Y
A	10 000	0
B	1 000	9000
C	9 000	1000
D	5 000	5000

29 A manufacturer has a target profit of $80 000 per annum. Last year the business made a profit of $60 000 when 10 000 units were produced and sold. Contribution was $10 per unit.

In order to achieve the target profit the plan is to increase advertising by $10 000 per annum. Variable cost per unit and selling price per unit will remain unchanged.

What will be the **total** fixed cost if this plan is carried out?

A $20 000 **B** $30 000 **C** $40 000 **D** $50 000

30 Which are advantages of a budgetary control system?

1 Budgets help to prepare year-end financial statements.

2 Budgets may be set at easily achievable levels to make the business appear more efficient.

3 Managers become responsible for implementing their department's budget.

4 Where budget targets are not met, corrective action is taken.

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

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