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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **February/March 2022**

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 Which actions are taken in respect of the totals of a three-column cash book at the end of an accounting period?

	cash and bank columns	discount columns
A	balanced	balanced
B	balanced	totalled
C	totalled	balanced
D	totalled	totalled

2 Which item is an example of capital expenditure?

A cost of repairs to an office building

B cost of repainting business name on delivery van

C legal cost paid to purchase an office building

D legal cost to collect outstanding receivables

3 On 1 July 2021, Tim bought a delivery van for $10 000. He paid an additional $900 to have racks fitted inside, and $800 for a year's insurance.

Tim provides for depreciation at the rate of 10% per annum. A full year's depreciation is charged in the year of acquisition.

What was the total for expenses recorded in Tim's income statement in respect of the van for the year ended 30 September 2021?

A $1290 **B** $1690 **C** $2100 **D** $2500

4 A business has a year end of 31 December. It purchased a non-current asset on 1 January 2020 for $100 000. The asset was depreciated using the reducing balance method at 20% per annum. It was sold for $40 000 on 1 January 2022.

What was the loss on disposal?

A $20 000 **B** $24 000 **C** $40 000 **D** $60 000

5 What is entered in the sales ledger control account?

1 cash sales

2 increase in provision for doubtful debts

3 returns inwards

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

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6 A trial balance included a suspense account. The bank balance of $28 412 had mistakenly been entered as an overdraft and placed on the credit side as $28 142.

There had also been an addition error and the debit side of the trial balance had been undercast by $450.

Which entry in the suspense account will correct these errors?

A credit $56 104

B debit $56 104

C credit $57 004

D debit $57 004

7 Which statement is correct?

A The balance on the irrecoverable debts account is carried down to the next accounting period.

B The balance on the irrecoverable debts account is treated as an expense in the income statement.

C The balance on the provision for doubtful debts account is calculated before the deduction of irrecoverable debts.

D The balance on the provision for doubtful debts account is not included in a trial balance.

8 The following information is available for a business at 31 December 2021.

	$
general expenses in arrears 1 January	420
general expenses in advance 1 January	240
general expenses in arrears 31 December	720
general expenses in advance 31 December	120

Total amount paid during the year ended 31 December 2021 is $11 500.

What is the amount to be included in the income statement for general expenses for the year ended 31 December 2021?

A $10 240 **B** $10 720 **C** $11 080 **D** $11 920

9 When would the year end value of inventory need to be adjusted?

1 when inventory has not yet been paid for

2 when selling price has fallen below cost

3 when the owner has recorded taking goods for his own use during the year

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

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10 A business had a draft profit for the year of $250 000.

The following errors were then discovered.

1 Depreciation charged was $25 000. The figure should have been $40 000.

2 Closing inventory for the period was undervalued by $10 000.

What was the correct profit for the year?

A $225 000 **B** $245 000 **C** $255 000 **D** $275 000

11 A capital account for a sole trader contained three entries, in addition to the opening and closing balances.

What did these entries represent?

	debit side	credit side
A	capital introduced	drawings, loss for the year
B	capital introduced, drawings	profit for the year
C	drawings, loss for the year	capital introduced
D	profit for the year	capital introduced, drawings

12 The year end of a business is 31 December 2021.

On 5 January 2022, inventory was counted and valued at cost, $30 000.

The following was then discovered.

1 Goods purchased and received after the year end, costing $1500, had been included in the valuation.

2 It included goods returned by a customer after the year end. They had a selling price of $900 which included a mark-up of 25% during the year.

3 Some goods included in the inventory, costing $500, were damaged. They can be sold for $300 after repairs costing $100.

Which value of inventory should be included in the financial statements at 31 December 2021?

A $27 480 **B** $27 525 **C** $28 275 **D** $29 270

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13 A sole trader provided the following information for the year ended 31 December.

	$
non-current assets increased by	25 000
current assets increased by	10 000
current liabilities increased by	12 500
additional capital introduced during the year	20 000
drawings for the year	13 000

What was the profit for the year ended 31 December?

A $10 500 **B** $14 500 **C** $15 500 **D** $29 500

14 Which rule does **not** apply in the absence of a partnership agreement?

A Interest on partners' loans is charged at 6% per annum.

B No interest on capital is charged.

C No salaries are paid to partners.

D Profits and losses are shared equally between the partners.

15 P and Q are in partnership sharing profits and losses equally. On 1 January 2021, the partnership had net assets of $410 000. At that date, R was admitted into the business on the following terms.

1 Net assets to be revalued to $480 000.

2 Goodwill was valued at $50 000 but will not be retained in the books of account.

3 Profits and losses will now be shared P 40%, Q 40% and R 20%.

What was the change in Q's capital immediately after R's admission?

A decrease by $33 000

B decrease by $40 000

C increase by $33 000

D increase by $40 000

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16 X and Y are in partnership, sharing residual profits and losses equally. Partners are charged 2% interest on their drawings. Y is entitled to a salary of $10 000.

The partners' drawings for the year were as shown.

	$
X	12 000
Y	8 000

The profit for the year was $52 000.

How much did each partner receive as a share of residual profits?

A $10 800 **B** $11 200 **C** $20 800 **D** $21 200

17 Which statements are correct?

1 Dividends can be paid out of the general reserve.

2 Rights issues can be made from the share premium account.

3 The general reserve can be created from retained earnings.

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

18 A limited company had the following balances on 1 January 2021.

	$
revaluation reserve	20 000
retained earnings	142 000

Profit for the year ended 31 December 2021 was $105 000.

The revaluation reserve, $20 000, was created two years ago from a revaluation of a property. The same property was revalued on 31 December 2021 with a revaluation loss of $35 000.

On 1 August 2021 an interim dividend, $40 000, was paid.

On 31 December 2021 a final dividend, $55 000, was proposed.

What was the value of retained earnings at 31 December 2021?

A $117 000 **B** $137 000 **C** $172 000 **D** $192 000

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19 The bank balance of a limited company was $390 000 before the following transactions took place.

1 An issue of 500 000 new shares of $0.50 each was made at a premium of $0.25 per share.

2 A debenture for $100 000 was repaid.

3 A bonus issue of 100 000 shares of $0.50 each was made.

What was the bank balance after these transactions?

A $540 000 **B** $665 000 **C** $715 000 **D** $865 000

20 What might cause a decrease in a company's non-current asset turnover?

A increase in expenses

B increase in sales revenue

C purchase of new non-current assets

D selling non-current assets

21 The following information for a limited company at 31 December 2021 is available.

	$
ordinary share capital	300 000
retained earnings	110 000
8% debenture	100 000

Retained earnings at 1 January 2021 were $82 000. An interim dividend of $45 000 was paid on 1 May 2021.

What was the return on capital employed for the year ended 31 December 2021?

A 6.83% **B** 7.06% **C** 14.31% **D** 15.88%

22 Which statements about stepped costs are correct?

1 fixed within a range of activity levels

2 fixed whatever the level of activity

3 include fixed costs only

4 include both fixed and variable costs

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

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23 A production worker is paid $15 per hour for working 8 hours a day.

Overtime is paid at the rate of time and a fifth (basic pay plus 20%).

A productivity bonus is also paid at the rate of $21 per unit for each unit produced in excess of 12 units per day.

Last Friday, the production worker worked 12 hours and assembled 14 units.

How much did he earn on Friday?

A $144 **B** $162 **C** $192 **D** $234

24 A retailer made the following purchases of inventory in October.

purchase	quantity (units)	unit price $	total cost $
5 Oct	50	500	25 000
12 Oct	50	500	25 000
23 Oct	150	525	78 750
			128 750

There was no opening inventory for October.

The business uses the first-in first-out (FIFO) method to value its inventory.

In October, 200 units were sold for $900 each.

What was the gross profit for October?

A $76 667 **B** $77 000 **C** $77 500 **D** $96 250

25 A company has two departments in its factory. The details are shown.

department	budgeted fixed overheads $	budgeted hours
machining	180 000	6 000
assembly	90 000	10 000
total	270 000	16 000

What is the fixed overhead absorption rate per hour in the machining department?

A $11.25 **B** $16.875 **C** $30 **D** $45

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26 What would cause overheads to be over-absorbed?

A Overhead absorbed is greater than overhead budgeted.

B Overhead absorbed is less than overhead budgeted.

C Overhead incurred is greater than overhead absorbed.

D Overhead incurred is less than overhead absorbed.

27 A company has the following information for producing 2000 units of a product.

	$
sales revenue	85 000
direct materials	30 000
direct labour	14 000
direct expenses	2 500
other variable overheads	10 200
fixed overheads	8 000

What is the contribution to sales ratio?

A 23.88% **B** 33.29% **C** 45.29% **D** 54.71%

28 The following information is available about two products.

	product 1 per unit	product 2 per unit
material X	2 kilos	4 kilos
material Y	3 kilos	1 kilo
direct labour	3 hours	6 hours

Production is planned to be 100 units of each product.

700 kilos of material X and 400 kilos of material Y are available. A total of 800 direct labour hours can be worked.

What are the limiting factors?

A direct labour only

B material X only

C material Y only

D all three inputs

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29 A company provides the following information about its product.

selling price	$100
variable cost per unit	$40
fixed costs	$21 600
break-even point	360 units

If the business changes its production method, contribution will increase by 10% and fixed costs will increase by 5%.

What would be the effect on the break-even point?

A decrease by 16 units

B decrease by 18 units

C increase by 16 units

D increase by 18 units

30 What are possible limitations of a budgetary control system?

1 Budgets are based on estimates.

2 Budgets may lead to staff demotivation.

3 Budgets may prevent managers from being creative.

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

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