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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **May/June 2023**

1 hour

You must answer on the multiple choice answer sheet.

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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 row correctly describes an advantage and a disadvantage of a partnership?

	advantage	disadvantage
A	limited liability	risk of disagreements
B	access to more expertise	unlimited liability
C	limited liability	joint responsibility for debts
D	indefinite lifetime of business	each partner bound by decisions of other partners

2 An asset is purchased on credit by a business.

What is the effect of this transaction on the accounting equation?

	assets	liabilities	capital
A	increase	decrease	increase
B	increase	decrease	no change
C	increase	increase	decrease
D	increase	increase	no change

3 Which items relating to new manufacturing equipment are capital expenditure?

1 cost of the equipment

2 delivery cost of the equipment

3 staff training cost to operate the equipment

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

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4 The financial year of a business ends on 31 December. At the beginning of the financial year, the following payments were made in respect of a new machine.

	$
purchase cost	60 000
installation cost	10 000

It was discovered that the installation cost had been incorrectly treated as an expense. It is the policy of the business to depreciate machinery at 20% per annum using the straight-line method.

What was the effect of this error on the profit for the year ended 31 December?

A $8000 overstated

B $8000 understated

C $12 000 overstated

D $12 000 understated

5 The motor vehicles at cost account had a balance of $90 000 at the beginning of the year on 1 January.

On 1 September in the same year, the following transactions took place.

1 A motor vehicle was disposed of. The vehicle had been purchased in the previous year for $21 000.

2 A new motor vehicle was purchased at a cost of $24 000.

Depreciation is calculated at 20% using the straight-line method. Depreciation is charged on a month-by-month basis for each month the motor vehicle is owned.

What was the depreciation charge for the year ended 31 December?

A $15 400 **B** $18 200 **C** $18 600 **D** $22 400

6 Which error would **not** affect the agreement of the totals of a trial balance?

A A credit note for $56 received from a supplier was entered in the book of prime entry as $65.

B Goods taken for own use by the owner for $180 were debited to the cash account and debited to the drawings account.

C The discounts received total in the cash book was not transferred to the general ledger.

D The purchases returns account was understated by $50 and the cash account was overstated by $50.

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7 A trial balance did not agree and the book-keeper found the following errors.

1 A bank overdraft of $100 had been shown as a debit in the trial balance.

2 A cash purchase of $160 had been entered in the purchases account as $150; the purchase was entered correctly in the cash account.

3 A telephone invoice for $400 had been debited to the insurance account.

The book-keeper opened a suspense account in order to correct the errors.

What was the opening entry in the suspense account?

A credit $190

B credit $210

C debit $60

D debit $550

8 A bank statement shows a credit balance of $8360. Comparison with the cash book reveals:

1 bank charges of $124 have not been entered in the cash book

2 cheques received from customers for $16 223 have not been credited by the bank

3 cheques sent to suppliers for $18 725 have not been presented.

What is the correct cash book balance?

A $5734 credit

B $5734 debit

C $5858 debit

D $10 986 credit

9 Which statements are benefits of control accounts?

1 They check the numerical accuracy of the ledgers.

2 They help to identify missing entries in books of prime entry.

3 They provide details of individual transactions.

4 They provide information for financial statements quickly.

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

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10 A company has obtained the following information for the year ended 31 December.

	$
opening balance on sales ledger control account	31 000
closing balance on sales ledger control account	35 000
discount allowed	2 300
credit sales	125 400

What was the amount received from credit customers?

A $119 100 **B** $123 700 **C** $127 100 **D** $131 700

11 Which statement contains the correct accounting treatment for accrued income?

A added to income and shown as a current asset

B added to income and shown as a current liability

C deducted from income and shown as a current asset

D deducted from income and shown as a current liability

12 A business receives rent from letting part of its premises.

On 1 January 2022, there was a balance brought forward of $1000 in the rent receivable account in respect of one month's rent received in advance.

During the year ended 31 December 2022, the business received further amounts totalling $13 000 to cover the period from 1 February 2022 to 31 January 2023.

A rent increase of 10% was introduced from 1 April 2022.

The statement of profit or loss for the year ended 31 December 2022 incorrectly included an amount of $13 000 for rent receivable.

What was the effect of this error on the profit for the year?

A $100 overstated

B $100 understated

C $1100 overstated

D $1100 understated

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13 A sole trader's personal expenses had been paid out of the business bank account and included in the statement of profit or loss.

What was the effect of this on the profit for the year and on capital?

	profit for the year	capital
A	no effect	no effect
B	no effect	overstated
C	understated	no effect
D	understated	understated

14 A business has a gross profit margin of 25%.

The following information is available for the year.

	$
sales revenue	200 000
opening inventory	10 000
closing inventory	5 000

What were the purchases for the year?

A $135 000 **B** $145 000 **C** $155 000 **D** $165 000

15 A partnership maintains separate capital accounts and current accounts.

Which statements are correct?

1 The capital accounts represent the retained earnings of the business.

2 The capital accounts show the total amount owed to each partner.

3 The capital accounts and current accounts equal the net assets.

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

16 X, Y and Z are in partnership, sharing profits and losses in the ratio 2 : 2 : 1.

X is allowed an annual salary of $10 000.

Y has made a loan to the partnership on which the partnership pays interest of $5000 each year.

Profit for the year before appropriation was $150 000.

What was Z's total share of profit for the year?

A $27 000 **B** $28 000 **C** $29 000 **D** $30 000

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17 A company had sufficient balances in each of the share premium, general reserve and retained earnings accounts to issue bonus shares. During the year, bonus shares were issued. The directors decided to keep the reserves in their most flexible form.

Which ledger account will be debited on the issue of the bonus shares?

A bank

B general reserve

C retained earnings

D share premium

18 X Limited had the following equity on 1 January.

	$
ordinary share capital ($1 shares)	400 000
share premium	30 000
general reserve	10 000
retained earnings	70 000

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

1 January	a bonus issue of 1 ordinary share for every 8 ordinary shares; it is the company's policy to keep its reserves in the most flexible form
1 July	an issue of debentures for $150 000
1 December	a rights issue of 1 ordinary share for every 15 ordinary shares at a price of $1.60 per share; the rights issue was fully taken up
31 December	profit for the year ended 31 December was $120 000

What was the total equity at 31 December?

A $678 000 **B** $728 000 **C** $828 000 **D** $878 000

19 Which three key users of financial statements will be most interested in the statement of profit or loss?

A employees, environmental bodies, government

B public, environmental bodies, suppliers

C public, suppliers, potential investors

D shareholders, government, potential investors

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20 Raj, a supplier of goods, has calculated the following ratios from the financial statements of a possible new customer.

1 current ratio

2 non-current asset turnover

3 trade payables turnover

4 trade receivables turnover

Which ratios would help Raj decide whether or not to supply goods?

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

21 The following information is available for a business for the year ended 31 December.

	$000
revenue	800
purchases	600
owing to credit suppliers	46
owed by credit customers	58

90% of revenue is from credit sales.

80% of purchases are on credit terms.

What is the trade payables turnover?

A 23 days **B** 28 days **C** 35 days **D** 45 days

22 The table shows information from a company's financial statements.

	$000
revenue	135
gross profit	34
profit from operations	11
profit for the year	8
non-current assets	59
current assets	50
non-current liabilities	12
current liabilities	40

What is the return on capital employed?

A 8.1% **B** 11.3% **C** 14.0% **D** 15.9%

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23 A company incurs a semi-variable cost per employee hour worked.

If hours worked exceed 10 000, an extra fixed administrative cost of $600 is incurred.

hours worked	administrative cost $
8 000	20 000
10 000	24 000

What will be the total administrative cost when 12 000 hours are worked?

A $28 600 **B** $30 600 **C** $33 400 **D** $34 600

24 Which costs are charged to individual jobs in a job costing system?

A direct labour plus direct materials

B direct labour plus direct materials plus production overhead

C direct labour plus production overhead

D direct materials plus production overhead

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

The following information is provided for its last period.

	actual	budgeted
overheads	$640 000	$620 000
labour hours	13 100	12 400

By how much were overheads over-absorbed or under-absorbed?

A over-absorbed by $15 000

B under-absorbed by $15 000

C over-absorbed by $20 000

D under-absorbed by $20 000

26 Why might a business use absorption costing?

1 to calculate inventory valuation for financial statements

2 to calculate selling price by adding profit to total cost

3 to include all production costs for the units 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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27 Gareth makes and sells bread. He has calculated how many loaves he needs to sell each day in order to break even.

Which factor helps him accurately analyse his break-even point?

A All of his production is sold on the day it is made.

B He sells several different types of bread.

C Seasonal effects cause the cost of flour to vary.

D Selling prices are reduced at the end of the day.

28 A business has the following information about a type of product.

current production and sales	8000 units
unit selling price	$20
unit variable cost	$12
total fixed costs	$25 000

What will happen to the break-even point and the margin of safety if fixed costs increase to $32 000?

	break-even point	margin of safety
A	decrease by 875 units	decrease by 875 units
B	decrease by 875 units	increase by 875 units
C	increase by 875 units	decrease by 875 units
D	increase by 875 units	increase by 875 units

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29 A company manufactures three products: X, Y and Z. The table provides per unit information concerning the three products.

per unit	product X $	product Y $	product Z $
selling price	100.00	120.00	130.00
direct material cost	40.00	45.00	48.00
direct labour cost	20.00	25.50	29.00
variable overhead cost	15.00	18.00	20.00
fixed overhead cost	18.00	18.00	27.00
profit	7.00	13.50	6.00

All three products are made from the same material.

If the material is in short supply, which manufacturing pattern will maximise profit?

	order of priority		
	1	2	3
A	Y	X	Z
B	Y	Z	X
C	Z	X	Y
D	Z	Y	X

30 Why would a business use cost–volume–profit analysis?

A to act as a basis for long-term planning

B to assist in the valuation of inventory

C to decide which costs are fixed and which are variable

D to understand the relationship between sales volume and profit

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