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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

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

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 What are advantages of being in a partnership?

1 All partners have limited liability.

2 Responsibility for running the business is shared.

3 Shares can be sold.

4 The business has access to more sources of capital than a sole trader.

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

2 Which statement about the purpose of a trial balance is correct?

A It assists the subsequent preparation of financial statements.

B It ensures that all double-entry postings to ledgers are accurate.

C It ensures that all postings to books of prime entry are accurate.

D It shows that all transactions in a period have been recorded.

3 The accounting equation of a business was as shown.

assets $	=	liabilities $	+	capital $
48 000	=	7000	+	41 000

The assets included a bank balance of $1000.

The following transactions occurred.

1 The owner took drawings of $2000 by cheque.

2 Goods for resale were purchased on credit; list price was $4000 less 25% trade discount.

What was the accounting equation after these transactions?

	assets $	=	liabilities $	+	capital $
A	49 000		10 000		39 000
B	50 000		10 000		40 000
C	50 000		11 000		39 000
D	51 000		11 000		40 000

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4 Which item is revenue expenditure?

A installation costs of machinery

B legal fees on the purchase of premises

C number plates on a new motor vehicle

D redecorating office premises

5 On 1 January, the owner of a business purchased a new machine. All non-current assets are depreciated by 25% per annum.

During the year, the following payments were made in respect of the machine.

	$
cost of machine	16 000
delivery	400
installation	600
one year's insurance	100

A charge of $5100 for these items was included in the draft statement of profit or loss for the year ended 31 December.

By how much was the draft profit for the year understated?

A $300 **B** $450 **C** $750 **D** $850

6 What is the purpose of providing for depreciation?

A to apply the matching principle

B to calculate the true value of non-current assets

C to ensure that money is available for repair of non-current assets

D to provide cash in the business for replacement of non-current assets

7 A business purchased a vehicle which had cost $27 000 and had an estimated residual value of $1000. Depreciation of $18 200 has been charged on this vehicle.

The vehicle was sold in part exchange for a new vehicle which cost $29 500. A cheque for $19 000 was paid in settlement of the transaction.

Which profit or loss was made on the sale of the vehicle?

A loss $1700

B loss $2700

C profit $1700

D profit $2700

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8 The totals of a trial balance did not agree and the following errors were discovered.

1 A cheque for $27 000 for the sale of a non-current asset had been credited to the sales account. The corresponding entry was correct.

2 The purchase on credit of a new motor vehicle for $27 000 had been omitted from the supplier's account. The corresponding entry was correct.

3 Entries in the cash book for a transfer from cash to bank for $27 000 had been reversed.

4 The purchases account had been overcast by $27 000.

Which errors would have led to the trial balance totals being different?

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

9 A suspense account had a balance of $450 debit.

What caused this balance in the suspense account?

A motor expenses of $225 correctly entered in the cash book and posted to motor expenses as a credit

B motor expenses of $225 entered in the cash book as a receipt and posted to motor expenses as a credit

C motor expenses of $450 correctly entered in the cash book and posted to motor vehicles as a debit

D motor expenses of $675 entered in the cash book as a credit of $225 and posted to motor expenses as a debit of $225

10 What is a benefit of preparing a bank reconciliation?

A to identify differences between the cash book and bank statement

B to know whether any bank overdraft limit has been reached

C to know whether the balance at the bank is a debit or credit

D to use the bank statement balance in the statement of financial position

11 A bank statement shows a credit balance of $1500.

A payment of $500 and a receipt of $1250 were included in the cash book but have not yet appeared on the bank statement.

Bank interest payable of $1100 had been correctly recorded in the cash book but due to a bank error had been recorded in the bank statement as $1000.

What is the cash book balance?

A $650 **B** $850 **C** $2150 **D** $3350

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12 A business is preparing a sales ledger control account.

Which statements are correct?

1 All sales are debited to the sales ledger control account.

2 Contra entries are credited to the sales ledger control account.

3 Discounts allowed are credited to the sales ledger control account.

4 The allowance for irrecoverable debts is credited to the sales ledger control account.

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

13 At the end of a financial period, the total of the individual balances in the purchases ledger was $149 000.

The following errors were then discovered.

1 A contra for $2500 had been omitted from a supplier account.

2 Discounts received of $1200 had been credited to a supplier's account as $2100.

3 No entries had been made for a credit purchase of $5100 from a supplier.

4 Purchases returns of $3000 had been credited to a supplier's account.

What was the corrected total of the individual balances in the purchases ledger at the end of the period?

A $142 300 **B** $144 700 **C** $146 500 **D** $147 300

14 A statement of financial position at the end of the financial year showed the following information.

	$
non-current assets	18 000
trade receivables	3 000
inventory	1 800
trade payables	3 600
bank	350 credit

Capital at the start of the financial year was $19 100. The profit for the year was $9200.

What were the owner's drawings for the year?

A $8250 **B** $8750 **C** $8950 **D** $9450

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15 In the absence of a partnership agreement, the Partnership Act 1890 might apply.

Which statement is **not** correct about the provisions of the Partnership Act 1890?

A Drawings are not allowed.

B Interest on capital is not allowed.

C Profits and losses are to be shared equally.

D Salaries are not allowed.

16 Victor and Wasim are in partnership. At the start of the financial year, the balances on the partners' current accounts were Victor, $22 500 credit, and Wasim, $3700 debit. The following information is available for the financial year.

	Victor $	Wasim $
interest on capital	1 500	1 700
share of profits	65 000	97 500
drawings	22 000	17 500
interest on drawings	660	525
capital introduced	–	5 000

What was the balance on Wasim's current account at the end of the financial year?

A $72 475 **B** $77 475 **C** $78 525 **D** $82 475

17 Which item would **not** be included on the statement of financial position for a limited company?

A issued share capital

B proposed final dividends

C revaluation reserve

D share premium account

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18 The equity section of the statement of financial position of a limited company at 1 January is shown.

	$
ordinary shares of $2 each	450 000
retained earnings	150 000
	600 000

On 28 February, the company made a rights issue of 1 new share for every 3 existing shares held at a premium of $1.50 per share. The rights issue was fully subscribed.

How much cash was received from the rights issue?

A $112 500 **B** $225 000 **C** $262 500 **D** $525 000

19 Which stakeholders use the financial statements to assess whether a company is a reasonable credit risk?

A customers

B employees

C government

D suppliers

20 Which statements describe the limitations of accounting information?

1 Businesses in the same industry may use different accounting policies.

2 Non-monetary aspects of a business are excluded from financial statements.

3 Results of accounting ratios are based on the use of historic cost.

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

21 A company provided the following information at the end of its first year of trading.

	$
cash sales	9 000
credit sales	27 000
receipts from credit customers	24 000
trade receivables at year end	4 100

What was the trade receivables turnover?

A 42 days **B** 46 days **C** 56 days **D** 63 days

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22 A company's profit from operations during a year was $128 000.

Interest payable was $8000.

The following amounts were included in the company's statement of financial position at the year end.

	$
non-current assets	485 000
net current assets	27 000
non-current liabilities	80 000

What was the return on capital employed?

A 20.3% **B** 21.6% **C** 23.4% **D** 25.0%

23 Which business functions would benefit from just in time (JIT) management of inventory?

1 administration

2 distribution

3 production

4 research and development

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

24 A business pays its employees on a time rate basis at $8 per hour. It also pays a weekly bonus of $1.20 for every unit of production over 100 units, plus an additional $0.80 per unit for all production over 120 units.

Employees are guaranteed a minimum weekly wage of $335.

An employee worked 37.5 hours last week and produced 129 units.

What was the employee's wage for that week?

A $335.00 **B** $342.00 **C** $358.00 **D** $365.20

25 Which type of business is most likely to use a job costing system?

A an aircraft manufacturer

B a paint manufacturer

C a pet food manufacturer

D a stationery manufacturer

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26 Which statement describes a cost centre rather than a cost unit?

A a location where only variable costs are incurred

B a measurable part of a product or service

C a part of a product or service for which costs are calculated

D any location where costs are incurred

27 A business marks up all of its products by 20% on total cost to calculate a selling price.

Each unit of product uses 4 hours of direct labour and 2 kilos of direct material.

The correct overhead absorption rate to be used is $8 per direct labour hour.

In error the book-keeper used a rate of $13 per direct labour hour.

What was the effect of this error on the selling price of one unit of the product?

A $5 **B** $12 **C** $20 **D** $24

28 The following budgeted information is available for a business.

	$
fixed costs	120 000
profit	88 000
variable costs	52 000

What is the budgeted break-even point in sales revenue?

A $120 000 **B** $150 000 **C** $172 000 **D** $208 000

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29 A business provided the following information about its total costs.

	$
direct material and direct labour	84 200
factory expenses (variable)	15 700
factory overheads (fixed)	16 800
selling and distribution expenses (variable)	18 100
selling and distribution overheads (fixed)	9 400
	144 200

1000 units had been manufactured and sold for $200 each.

What was the contribution per unit?

A $55.80 **B** $82.00 **C** $100.10 **D** $115.80

30 Which items are included in the marginal cost of a unit of production?

A direct labour, direct materials, fixed production costs and variable production overheads

B direct labour, direct materials, fixed costs and variable production overheads

C direct labour, direct materials and variable production overheads only

D direct labour and direct materials only

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