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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **October/November 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.

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1 Which list is a long-term source of additional funds for a limited company?

A bank loan, bonus issue of shares, debenture issue

B bank loan, leasing of premises, rights issue of shares

C bonus issue of shares, leasing of premises, trade credit

D debenture issue, rights issue of shares, trade credit

2 Which statements describe advantages of maintaining full accounting records?

1 A more complete assessment of business performance is possible.

2 Book-keeping costs are minimised.

3 Business managers can make more informed decisions.

4 Financial statements will be free from errors and inaccuracies.

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

3 Maria recorded a cheque for $475 received from Josh, a credit customer. Josh had deducted a 5% cash discount. The cheque has now been returned as dishonoured.

What is the correct entry to record the return of the cheque in Maria's books?

	debit	$	credit	$
A	bank discount received	475 25	Josh	500
B	Josh	500	bank discount received	475 25
C	bank discount allowed	475 25	Josh	500
D	Josh	500	bank discount allowed	475 25

4 A business purchased a shop and incurred the following costs.

	$
purchase price of the shop	680 000
legal fees incurred in the purchase of the shop	7 200
cost of initial inventory	12 500
cost of installing air conditioning	47 300

What was the total capital expenditure?

A $680 000 **B** $687 200 **C** $734 500 **D** $747 000

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5 A used motor vehicle was part exchanged for a new motor vehicle. The balance of the purchase cost of the new motor vehicle was settled by cheque.

What were the entries to record the part-exchange value?

	account debited	account credited
A	bank	disposal
B	bank	motor vehicles
C	motor vehicles	bank
D	motor vehicles	disposal

6 A non-current asset of a business cost $300 000 in 2021. It is depreciated using the reducing balance method at the rate of 40% per annum. A full year's depreciation is provided in the year of acquisition but none in the year of sale. The financial year of the business ends on 31 December.

In 2023, the item was sold for $150 000. Disposal costs of $15 000 were incurred.

What was the profit on disposal?

A $27 000 **B** $42 000 **C** $57 000 **D** $70 200

7 A business received $100 cash from a credit customer in settlement of a debt. When recording it, an error of commission was made.

Which statement about the debit and credit columns of the trial balance is correct?

A The total of the credit column was $100 higher than the total of the debit column.

B The total of the debit column was $100 higher than the total of the credit column.

C The totals of both columns were the same as if the error had not taken place.

D The totals of both columns were understated by the same amount.

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8 A company's trial balance includes a suspense account. It was found that the only errors were discounts received of $240 and discounts allowed of $312, which had both been entered on the incorrect sides of the respective ledger accounts.

What is the double entry required to clear the suspense account balance?

	account	debit $	credit $
A	discounts allowed	312	
	discounts received		240
	suspense		72
B	discounts allowed	624	
	discounts received		480
	suspense		144
C	discounts received	240	
	suspense	72	
	discounts allowed		312
D	discounts received	480	
	suspense	144	
	discounts allowed		624

9 Which statements describe the benefits of preparing a bank reconciliation statement?

1 checks the accuracy of transactions recorded on the bank statement

2 ensures that cash in the till agrees with the total of the cash column in the cash book

3 eliminates the possibility of fraud by members of staff

4 ensures that the trial balance and financial statements contain an up-to-date figure for cash at bank

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

10 A trader's cash book shows a debit balance of $12 460 at 30 April. Bank charges of $4500 have **not** been entered in the cash book.

A cheque for $14 470 received from a credit customer and a cheque for $1740 paid to a supplier appear in the cash book but **not** on the bank statement.

What is the balance shown on the bank statement at 30 April?

A $4770 credit

B $4770 debit

C $20 690 credit

D $20 690 debit

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11 A credit customer gave cash to a sales ledger clerk in part settlement of her debt. The clerk was dishonest and kept the cash for himself. He entered the receipt in the customer's sales ledger account but made no entry in the cash book.

What caused the theft to be discovered?

A A bank reconciliation statement was prepared.

B A sales ledger control account reconciliation statement was prepared.

C A statement of account was sent to and checked by the customer.

D A trial balance was extracted from the books of account.

12 The following information is available.

	$
balance of trade receivables at the start of the year	48 000
balance of trade receivables at the end of the year	65 300
trade discount given to credit customers	3 000
cash discount taken by credit customers	4 500
irrecoverable debt written off during the year	6 200
increase in allowance for irrecoverable debts for the year	2 700
cash received from credit customers during the year	516 000

What is the total value of credit sales for the year?

A $541 000 **B** $544 000 **C** $546 700 **D** $547 000

13 At a business's financial year-end there were expenses owing, expenses prepaid, income owing and income received in advance.

How will the ledger account balances brought down at the start of the new financial year appear in the general ledger?

	debit balances	credit balances
A	expenses owing income owing	expenses prepaid income received in advance
B	expenses owing income received in advance	expenses prepaid income owing
C	expenses prepaid income owing	expenses owing income received in advance
D	expenses prepaid income received in advance	expenses owing income owing

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14 A business prepared its statement of profit or loss for the year ended 31 December.

During that year, on 30 April, a non-current asset had been sold. The following information is available in respect of this item.

cost	$130 000
sale proceeds	$53 500
residual value	$10 000
carrying value at 1 January	$52 500
expected life	8 years

Non-current assets are depreciated using the straight-line method, with depreciation being charged for each month of ownership.

No accounting entries had been made in respect of this non-current asset for the year ended 31 December.

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

A $1000 understated

B $5000 overstated

C $6000 understated

D $9000 overstated

15 The owner of a trading business prepared draft financial statements for the year ended 31 December.

It was then discovered that the following transactions occurring during the year had **not** been recorded.

1 A cheque for $500 had been received for commission earned.

2 Cash amounting to $2900 was received for a sale of goods which had cost $3000.

3 Inventory costing $5000 had been taken from the business by the owner for personal use.

4 Non-current assets with a carrying value of $6500 had been sold for $7000 cash.

Which transactions will affect **both** the gross profit for the year and the total value of net assets on the statement of financial position?

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

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16 A business sells some inventory for $80 on credit. This originally cost $50.

How does this affect the statement of financial position?

	current assets	owner's capital
A	decrease by $30	decreases by $30
B	decrease by $30	increases by $30
C	increase by $30	decreases by $30
D	increase by $30	increases by $30

17 Which entries are made to record interest on capital in partnership accounts?

	debit	credit
A	appropriation account	capital account
B	appropriation account	current account
C	capital account	appropriation account
D	current account	appropriation account

18 L and M are in partnership, sharing profits and losses in the ratio of 3 : 2 respectively.

For the year ended 31 March, their statement of profit or loss showed a profit for the year of $68 000.

The following information relates to the partnership for the same period.

	$
interest on loan from L	400
total for both partners:	
interest on capital	2 600
interest charged on drawings	1 200
salaries	20 000

How much of the residual profit will L receive?

A $26 520 **B** $27 720 **C** $27 960 **D** $28 200

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19 Which reserves are revenue reserves?

1 general reserve

2 retained earnings

3 revaluation reserve

4 share premium account

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

20 A limited company has the following in its statement of financial position at 31 March.

equity	$
ordinary share capital	200 000
retained earnings	82 500
share premium	80 000

Ordinary shares have a par value of $0.40 each.

A bonus issue is made on the basis of 3 shares for every 8 shares held at 31 March. The issue is made so that reserves are kept in their most flexible form.

What are the balances on the reserve accounts after the bonus issue has been made?

	retained earnings $	share premium $
A	7 500	80 000
B	52 500	80 000
C	82 500	5 000
D	82 500	80 000

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21 A company has calculated inventory turnover periods for two successive years.

year	inventory turnover in days
1	90
2	120

Company directors have suggested the following reasons for the change.

1 Purchases have decreased.

2 Purchases have increased.

3 Sales have decreased.

4 Sales have increased.

What are the possible reasons for the change?

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

22 The following information is available for a business at the end of its financial year.

	$
credit purchases	140 000
credit sales	220 000
total purchases	160 000
total sales	250 000
trade payables	15 000
trade receivables	16 000

What is the trade receivables turnover?

A 24 days **B** 27 days **C** 35 days **D** 40 days

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23 A business commenced trading on 1 January. The purchases and sales of inventory for January were as follows:

date	purchases	sales
January 4	3 at $200 each	–
13	–	2 at $400 each
26	3 at $250 each	–
28	–	2 at $400 each

The business used the first in first out (FIFO) method of inventory valuation.

What was the gross profit for January?

A $250 **B** $650 **C** $700 **D** $750

24 A company has been asked to quote a price for a specific job. Estimated costs are as follows:

	$
direct materials	2000
direct labour	3300

Overheads are charged at 50% of labour cost.

Profit is 20% of the total job cost.

What is the total of the quotation for the job?

A $5300 **B** $6360 **C** $6950 **D** $8340

25 A manufacturing business has a service department, X, and production departments, Y and Z.

Department Z is labour intensive.

How is the overhead absorption rate set for department Z?

	first task	second task	third task
A	apportion total overheads across X, Y and Z	reapportion X's overheads to Y and Z	divide Z's overheads by budgeted labour hours
B	apportion total overheads across X, Y and Z	reapportion X's overheads to Y and Z	divide Z's overheads by actual labour hours
C	subtract X's overheads from total overheads	apportion remaining overheads across Y and Z	divide Z's overheads by budgeted labour hours
D	subtract X's overheads from total overheads	apportion remaining overheads across Y and Z	divide Z's overheads by actual labour hours

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26 What would cause overheads to be under 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 business produces two types of product, P and Q, for the month of January. Overheads are absorbed using direct labour hours. The production details are as follows:

	P	Q
units manufactured and sold	5000	2000
direct labour hours per unit	1.5	1

Direct costs for the month were $23 750.

The fixed overheads were $6500.

What was the overhead absorption rate per hour?

A $0.68 **B** $2.50 **C** $3.18 **D** $3.39

28 Which statements about marginal costing are correct?

1 Contribution is the difference between sales revenue and total production costs.

2 Costs are classified as variable costs or fixed costs only.

3 Variable costs include variable selling expenses.

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

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29 The following information relates to a manufacturing business.

production for the period	2400 units
closing inventory	400 units
	$
direct material costs	12 000
direct labour costs	6 000
factory fixed expenses	4 080

There was **no** opening inventory.

Closing inventory is valued using marginal costing.

What is the marginal cost per unit of the finished goods?

A $7.50 **B** $9.00 **C** $9.20 **D** $11.04

30 Which statement reflects how cost–volume–profit (CVP) analysis can help with management decision-making?

A separating out fixed and variable elements of cost

B setting short-term prices

C understanding changes in the business environment

D understanding changes in the product mix

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