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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **February/March 2024**

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.

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1 Which statement about sole traders is correct?

A They always trade by buying and selling goods.

B They do not employ any staff.

C They keep all their profit themselves.

D They maintain a retained earnings account.

2 Which source of finance would be available to a public limited company but **not** to a partnership?

A bank overdraft

B debentures

C leasing

D trade credit

3 Which items will be debited to accounts in the purchases ledger?

1 discount allowed

2 payments to suppliers

3 purchases

4 purchases returns

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

4 Tom bought goods costing $100 on credit from Sam. He returned goods costing $20 as faulty.

He deducted a cash discount and paid $76 by cheque in full settlement.

Which amounts were recorded in Tom's books of prime entry?

	purchases journal $	purchases returns journal $	three-column cash book (bank column) $
A	80	0	76
B	80	0	80
C	100	20	76
D	100	20	80

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5 What are the characteristics of non-current assets?

1 They are not intended for resale.

2 They provide future economic benefits.

3 They prevent the company from going out of business.

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

6 At the beginning of the financial year on 1 January, a business acquired a new motor vehicle for $34 000. In error, this was recorded in the account for motor expenses. Motor vehicles are depreciated using the reducing balance method at the rate of 30% per annum. It is estimated that the motor vehicle will have a residual value of $4000 at the end of its life.

If the error is **not** corrected, what will be the effect on the profit for the year ended 31 December?

A $10 200 overstated

B $23 800 understated

C $25 000 understated

D $34 000 understated

7 A company purchased a machine on 1 April 2021 for $25 000. It was depreciated at 20% per annum using the straight-line method. A full year's depreciation is charged in the year of purchase but none in the year of sale. On 30 June 2023 the machine was sold for $12 500.

The company's year end is 31 December.

What was the profit or loss on the disposal of the machine?

A $1250 loss

B $1250 profit

C $2500 loss

D $2500 profit

8 Which error will cause a trial balance **not** to balance?

A an invoice entered as a credit note on original input

B a journal entry that does not balance

C a transaction entered as the wrong amount on original input

D a transaction not entered in the books of account

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9 A business prepared a trial balance that included a suspense account. Draft financial statements were prepared which showed a profit for the year of $85 000.

The following errors were then discovered.

1 Discounts allowed of $1000 had been debited to the discounts received account.

2 Motoring expenses of $4000 had been debited to the purchases account.

3 A payment for purchases of $5000 had been correctly entered in the cash book but credited to the drawings account.

After correcting these errors the balance on the suspense account was eliminated.

What was the revised profit for the year?

A $76 000 **B** $78 000 **C** $80 000 **D** $82 000

10 Amit compared his bank statement with his cash book.

How did Amit deal with the items revealed by this comparison?

	updating his cash book	including in bank reconciliation statement
A	bank charges	timing differences and bank errors
B	bank charges and bank errors	timing differences
C	timing differences and bank errors	bank charges
D	timing differences	bank charges and bank errors

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11 The bank statement of a business shows a credit balance of $1570 at 31 December.

The following differences were discovered on comparing the cash book with the bank statement.

	$
unpresented cheques	1250
uncredited bankings	1800

A direct debit of $230 was shown as $320 in the cash book.

What is the updated cash book balance at 31 December?

A $930 **B** $1020 **C** $2030 **D** $2120

12 What are the benefits of preparing a sales ledger control account?

1 detecting errors of original entry

2 helping reduce the possibility of fraud

3 providing totals of trade receivables for inclusion in financial statements

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

13 A company prepared its purchases ledger control account, which showed a balance of $15 960. The following items were then discovered.

1 Discounts received of $450 had been entered into the purchases ledger control account as $540.

2 A payment of $720 to a supplier had not been entered in his account.

3 The purchases ledger debit balances carried down totalling $110 had been omitted from the control account.

4 A contra of $170 had been entered in the purchases ledger but not in the purchases ledger control account.

What was the correct total of the trade payables?

A $15 050 **B** $15 240 **C** $15 990 **D** $16 150

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14 Deepak provided the following information.

	end of year 1	end of year 2
allowance for irrecoverable debts	$600	$800
rate of allowance	3%	5%

By how much did the total of trade receivables change from the end of year 1 to the end of year 2?

A $4000 decrease

B $4000 increase

C $10 000 decrease

D $10 000 increase

15 A sole trader began a business on 1 January with $50 000 capital.

During the year she introduced to the business her own private vehicle which had cost $22 000 but which was valued at $16 000 when she added it to the business. Drawings for the year were $20 000. At the end of the financial year on 31 December the closing balance on the capital account was $105 000.

What was the profit for the year?

A $39 000 **B** $53 000 **C** $59 000 **D** $75 000

16 Which provision of the Partnership Act 1890 applies when there is no partnership agreement?

A Partners receive 5% interest per annum on their capital contributions.

B Partners are charged 5% interest per annum on their drawings.

C Partners receive interest of 5% per annum on loans to the partnership.

D Partners are entitled to equal amounts of salary.

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17 A partnership provided the following information for the year.

	$
gross profit	76 000
operating costs	30 000
bank interest	1 300
interest on partner's loan	600
interest on capital	5 600
interest on drawings	2 000

What were the profit for the year and the residual profit shared by the partners?

	profit for the year $	residual profit $
A	44 100	40 500
B	44 100	47 700
C	44 700	40 500
D	44 700	47 700

18 Why is a statement of changes in equity prepared?

A to calculate profit when incomplete records have been kept

B to match the dividends paid to profit for the year

C to show the change in capital employed

D to show the movements in the shareholders' stake in the business

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19 The trial balance of a company at 31 December at the end of year 1 included the following amounts.

	$
Ordinary share capital ($0.50 shares)	800 000
Share premium	200 000
Retained earnings	1 000 000

On 1 January in year 2 the company made a rights issue of 400 000 shares at a premium of $0.70 per share. This was fully taken up.

On 1 July in year 2 the company issued bonus shares at the rate of one new share for every four held.

The policy is to maintain reserves in their most flexible form.

What is the balance on the share premium account after these transactions?

A $230 000 **B** $330 000 **C** $355 000 **D** $480 000

20 Jim is a manager in a limited company. He also owns a few of its shares.

Why has he been looking at its most recent financial statements?

A to discover the profit made by his department as he might receive a bonus

B to find out if the company made a profit, making his job more secure

C to know if dividends will increase over the next five years, improving his income

D to see if the company has a good reputation, increasing the value of his shares

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21 H Limited's cost of sales for the recent two years (Year 2 and Year 1) is as follows:

	Year 2 $	Year 1 $
average inventory	100 000	65 000
credit purchases	910 000	760 000
cost of sales	850 000	750 000

Which statement regarding the efficiency of inventory turnover is correct?

A Year 2 is better because the average inventory is higher.

B Year 2 is better because the inventory turnover (in days) is higher.

C Year 2 is worse because the cost of sales is higher.

D Year 2 is worse because the inventory turnover (in days) is higher.

22 Which expense for a business may be classified as a stepped cost?

A direct labour

B direct materials

C factory rent

D telephone

23 Which statements describe just in time (JIT) management of inventory?

1 It increases administration costs as more suppliers are required.

2 It is a management strategy that minimises inventory to increase efficiency.

3 Producers hold only sufficient inventory to meet maximum market demand.

4 The system benefits cash flow and reduces the amount of capital required to run the business.

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

24 The direct materials cost of a batch of soft drinks is $10 000 for 50 000 cans. 60 direct labour hours are required at a cost of $40 per labour hour. Overheads are absorbed at 250% of the cost of direct labour.

What is the cost per soft drink can to the nearest dollar?

A $0.20 **B** $0.37 **C** $0.44 **D** $1.04

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25 What is an advantage of absorption costing?

A It helps to determine a product's selling price.

B It is used to improve operational efficiency.

C It makes it easy to analyse costs at different production levels.

D It takes into account only variable costs.

26 The following information is forecast for the next month.

opening inventory	20 300 units
closing inventory	22 500 units
marginal cost profit	$90 600
absorption cost profit	$100 400

What is the overhead absorption rate per unit?

A $4.03 **B** $4.45 **C** $4.46 **D** $4.95

27 X Limited has budgeted monthly overheads of $125 000. Its overhead absorption rate is $5 per machine hour. In July there was an under-absorption of overheads of $1000.

Which changes from budgeted data caused this to happen?

	overheads	machine hours
A	$500 higher	100 hours less
B	$500 lower	100 hours more
C	$750 higher	50 hours more
D	$750 lower	50 hours less

28 Which changes result in a decrease in the margin of safety?

	unit variable cost	total fixed costs
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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29 A company has the following budgeted information per unit.

	$
selling price	25
variable costs	10

Fixed costs are $72 000.

What is the increase in break-even sales if fixed costs increase by $33\frac{1}{3}$%?

A $38 400 **B** $40 000 **C** $53 333 **D** $60 000

30 Which statements about cost–volume–profit analysis are correct?

1 Fixed costs remain constant for a range of activity.

2 Profits are calculated on an absorption costing basis.

3 Sales revenue increases in direct proportion to output.

4 There is only one product or there is a constant sale mix.

A 1, 2, 3 and 4

B 1 and 2 only

C 1, 3 and 4 only

D 2, 3 and 4 only

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