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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **May/June 2024**

1 hour

You must answer on the multiple choice answer sheet.

* 3 8 3 2 6 8 3 2 8 7 *

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 statements relate to a sole trader?

1 The business is a separate legal entity.

2 There is no separation between ownership and control.

3 Some of the profit is used to pay interest on the owner's capital.

4 There is no legal requirement to keep full accounting records.

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

2 Which item **incorrectly** applies the matching concept?

A capitalising staff expertise and writing it off over the working life of the staff

B including a value for unused stationery in the statement of financial position

C providing for irrecoverable debts in the year the sales took place

D recording telephone costs incurred but not yet billed

3 Goods that had previously been purchased on credit have been returned to the supplier.

How should this be recorded in the purchaser's books of account?

	account to be debited	account to be credited
A	bank	purchases returns
B	trade payable	bank
C	trade payable	purchases returns
D	purchases returns	trade payable

4 Jason sold a non-current asset with a carrying value of $8000. He mistakenly recorded this by debiting the bank account and crediting the sales account with the proceeds of $6500.

By which amount was the profit for the year overstated?

A $1500 **B** $5000 **C** $6500 **D** $8000

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5 Adam's financial year ends on 31 December.

At the beginning of the year, on 1 January, the carrying value of machinery was $20 000.

During the year, on 30 June, he purchased a new machine for $6000. He paid 50% of the cost in cash and the balance by part exchange of an old machine which had the carrying value of $2500 on that date.

He depreciates his machinery by 20% per annum on the carrying value calculated on a time basis.

What is the carrying value of the machinery shown in the statement of financial position at the end of the year on 31 December?

A $18 000 **B** $18 800 **C** $19 150 **D** $20 800

6 Which statement describes a limitation of reconciliation and verification procedures?

A Sometimes a sales ledger control account balance does not agree with the total of sales ledger account balances.

B Errors of commission could be present in the books of account.

C Bank transactions may be missing from the bank column in the cash book.

D The totals shown in the trial balance do not always agree.

7 The following errors in the accounting records have been found and corrected.

1 A purchase invoice for $250 was omitted from the books of account.

2 A sale for $120 to X was debited to the account of Y.

3 The sales journal was overcast by $100.

The gross profit for the year before correcting the errors was $60 200.

What is the correct gross profit for the year?

A $59 850 **B** $59 970 **C** $60 350 **D** $60 550

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8 The bank statement of a business showed a credit balance of $3421, which did not agree with the balance in the cash book.

Further investigation revealed that a receipt entered in the cash book for $125 and a payment for $455 had not yet appeared on the bank statement.

The bank statement showed bank charges of $64 and a credit transfer of $177 which had not been entered in the cash book.

Which balance was shown in the cash book **before** making the necessary changes and preparing a reconciliation statement?

A $2978 **B** $3091 **C** $3204 **D** $3421

9 Which statements describe the benefits of preparing control accounts?

1 assists in detection of fraud

2 assists in finding errors of original entry

3 assists in finding transposition errors

4 assists in preparation of financial statements

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

10 A trade payable for $720 transferred from the purchases ledger has been entered on the wrong side of the sales ledger control account.

The sales ledger control account has a closing balance of $92 460 before correcting the transfer. An allowance for irrecoverable debts of $1000 is to be made.

What is the correct balance on the sales ledger control account?

A $90 020 **B** $91 020 **C** $91 740 **D** $92 180

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11 After preparing the draft statement of profit or loss, it was discovered that the purchase of an office computer had been incorrectly recorded in the purchases account.

What will the effect of correcting this error be on cost of sales and profit for the year?

	cost of sales	profit for the year
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

12 The draft profit for a business was $64 000 before the following information was taken into account.

- An allowance for irrecoverable debts was maintained at 2% of trade receivables. The total of trade receivables was $150 000 at the beginning of the period and $220 000 at the end of the period.
- On the last day of the period $4000 was recovered from a trade receivable that had been written off as irrecoverable.

What is the revised profit for the period?

A $58 600 **B** $62 600 **C** $63 600 **D** $66 600

13 A sole trader does not keep a complete set of books of account. He believes a staff member has stolen some cash.

Which items will **not** be needed to calculate the amount missing?

1 cash in hand at the beginning and end of the year

2 owner's drawings taken from the bank

3 cheques received from customers

4 totals of cash sales and cash purchases

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

14 A trader sells goods at a uniform mark-up of 20%. The following information is available for the year ended 31 December.

	$
inventory at 1 January	1 780
inventory at 31 December	2 100
purchases	23 400
carriage inwards	700
carriage outwards	450
goods taken for own use (at selling price)	1 800

What was the value of cost of sales for the year ended 31 December?

A $20 880 **B** $21 830 **C** $22 280 **D** $22 340

15 Both partners in a business have a credit balance on their current account.

How does the inclusion of interest on drawings affect the financial statements of the partnership?

	current account balance	shares of residual profit
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

16 Vicram and Walter are in partnership but have **not** made any partnership agreement.
The net assets of the partnership at the end of a financial period totalled $180 000.

The partners maintain capital and current accounts.

The opening balances on the current accounts were:

	$
Vicram	3200 debit
Walter	6800 credit

The profit of the partnership for the period, before appropriation, was $85 000.

Vicram had provided a loan of $20 000 to the business.

What is the balance on Vicram's **capital** account at the end of the period?

A $35 200 **B** $45 200 **C** $48 800 **D** $55 200

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17 Which row correctly shows an example of a capital reserve and an example of a revenue reserve?

	capital reserve	revenue reserve
A	general reserve	retained earnings
B	retained earnings	revaluation reserve
C	revaluation reserve	share premium
D	share premium	general reserve

18 On 1 January a company makes a bonus issue of 10 000 ordinary shares of $0.50 each. During the year it makes a rights issue of 15 000 ordinary shares for $0.60 each.

What is the effect of these in the statement of financial position?

	share capital and reserves increase $	current assets increase $
A	9 000	9 000
B	9 000	12 500
C	14 000	9 000
D	14 000	14 000

19 An accounting student made the following statements about the requirements of different users of the accounting information of a company.

1 the government wants to assess the company's return on capital employed

2 suppliers want to know if the company is financially stable

3 managers use the information for planning and control purposes

4 lenders want to know whether the business is able to pay dividends

Which statements are correct?

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

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20 What could improve the current ratio of a sole trader?

A delaying payments to credit suppliers

B encouraging credit customers to pay promptly

C purchasing all inventory on credit

D reducing monthly cash drawings

21 Which ratios will identify the highest profit for the year for a business?

A expenses to revenue ratio of 18% and non-current asset turnover of four times per annum

B expenses to revenue ratio of 18% and non-current asset turnover of six times per annum

C expenses to revenue ratio of 20% and non-current asset turnover of four times per annum

D expenses to revenue ratio of 20% and non-current asset turnover of six times per annum

22 A business provided the following information at 31 March.

	$
inventories	225 000
trade receivables	785 000
cash and cash equivalents	15 000
trade payables	365 000
other payables	85 000

What is the acid test ratio?

A 1.78 : 1 **B** 2.19 : 1 **C** 2.28 : 1 **D** 2.81 : 1

23 A company pays its employees $6.80 per hour for a basic 40-hour week. An overtime premium of 50% is payable together with a production bonus of $0.25 per unit for all units produced over 350. Employees are guaranteed a weekly wage of $330.

One employee worked 45 hours last week and produced 410 units.

What was the employee's gross pay that week?

A $330 **B** $338 **C** $372 **D** $474

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24 When are unit costing and job costing principles applied?

	unit costing	job costing
A	in continuous operations	in continuous operations
B	in continuous operations	for a special order
C	for a special order	in continuous operations
D	for a special order	for a special order

25 A hotel provided the following information for a 30-day period.

	rooms with two beds	rooms with one bed
number of letting bedrooms	180	60
average number of rooms occupied per day	150	50
number of guests in period	5250	
average length of stay	2 days	
payroll and cleaning costs	$300 000	

What are the average payroll and cleaning costs per occupied bed per day?

A $23.80 **B** $28.57 **C** $50.00 **D** $57.14

26 Which two factors would mean fixed overheads are under-absorbed?

1 actual hours worked are less than budgeted hours

2 actual hours worked are more than budgeted hours

3 actual output is less than budgeted output

4 actual output is more than budgeted output

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

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27 A company has a positive margin of safety.

How did this arise?

A Actual sales are greater than break-even sales.

B Actual sales are greater than budgeted sales.

C Break-even sales are greater than actual sales.

D Budgeted sales are greater than actual sales.

28 A company makes three products X, Y and Z for which details **per unit** are as follows:

	X	Y	Z
selling price	$18	$35	$50
direct material costs	$4	$5	$5
direct labour hours	0.5	2	2.5

The direct labour rate is $8.00 per hour. Direct labour hours are limited.

In which order should the products be ranked to achieve the maximum profit with the available labour hours?

	first	next	last
A	X	Y	Z
B	Y	Z	X
C	Z	X	Y
D	X	Z	Y

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29 The details of a planned college course are as follows:

	$
course fee per student	100
variable course cost per student	20
total fixed costs of the course	480

The budgeted number of students is 10. However, if a lower fee is charged, 20 students are likely to take the course.

How much should the course fee of $100 be reduced by to earn the same total profit from 10 students as from 20 students?

A $16 **B** $24 **C** $40 **D** $50

30 Which statement applies for cost–volume–profit analysis?

A fixed costs per unit stay the same over a period

B inventory levels change over a period

C selling price per unit stays the same over a period

D variable costs per unit change over a period

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