GradeMax

Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **May/June 2025**

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.

06_9706_12_2025_1.6b
© UCLES 2025

GradeMax

1 Ahmed and Betty are in partnership. They plan to convert the business from a partnership to a limited company. Ahmed and Betty will be shareholders.

What is the benefit to Ahmed and Betty as shareholders?

A Disputes between them will be resolved in the annual general meeting.

B Their personal assets are protected.

C Their personal finances are **not** separate from those of the company.

D The value of their shares will increase.

2 What is the correct double entry to record goods taken for own use by the owner of a business?

	debit	credit
A	drawings	inventory
B	drawings	purchases
C	inventory	drawings
D	purchases	drawings

3 Which accounting concepts are applied when depreciating non-current assets?

1 consistency

2 matching / accruals

3 objectivity

4 prudence

A 1 and 2 only

B 1 and 3

C 1, 2 and 4

D 2, 3 and 4

4 Which account balance will be in the credit column of a trial balance?

A carriage inwards

B carriage outwards

C purchases returns

D sales returns

© UCLES 2025

GradeMax

5 The financial statements were prepared using the following details.

	$
purchase cost of machinery (included $450 for repairs to the machinery)	16 950
lighting and heating (included $250 for wiring in the factory extension)	1 780
carriage inwards (included $45 for delivery of new machinery)	230

What will be the amount of the decrease in non-current assets when capital and revenue items are treated correctly (ignore depreciation)?

A $155 **B** $200 **C** $405 **D** $450

6 What is the purpose of depreciating a non-current asset?

A to allocate its cost over its useful life

B to reflect its market value

C to reflect its replacement cost

D to reserve funds for its future replacement

7 The non-current assets of a business are shown in the table.

	end of the year $	start of the year $
cost	360 000	300 000
accumulated depreciation	120 000	75 000
carrying value	240 000	225 000

During the year, non-current assets costing $110 000 were bought, and non-current assets, with a carrying value of $20 000, were sold.

What was the depreciation charge for the year?

A $35 000 **B** $45 000 **C** $50 000 **D** $75 000

© UCLES 2025

[Turn over

8 After the profit for the year was calculated, the following errors were discovered.

1 Discount allowed of $550 was recorded as discount received.

2 Rental income of $3500 was recorded as an expense.

3 Wages of $4500 were recorded as $5400.

What will be the effect on the profit for the year **after** correcting these errors?

A decrease by $3850

B decrease by $6800

C increase by $3850

D increase by $6800

9 A business's suspense account appears as follows:

	$		$
discount allowed	150	opening balance	100
		sales	50
	150		150

Which statements are correct?

1 Total debits had been $100 less than total credits in the trial balance.

2 The sales account had been overcast by $50.

3 The discount allowed account had been overcast by $150.

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

10 Why does a business prepare a bank reconciliation statement?

A to determine the cash in hand balance

B to explain the difference between the cash book balance and the bank statement balance

C to identify dishonoured cheques from trade payables

D to prepare a statement of profit or loss

© UCLES 2025

11 A debit balance of $2600 was shown for the bank in the cash book of a business at the end of the month.

The bank statement included bank charges of $1200 and interest received of $500, both of which had **not** been entered in the cash book.

The bank column of the cash book had been overcast by $200.

The cash book included a payment of $800 which had **not** yet appeared on the bank statement.

What was the credit balance shown on the bank statement at the end of the month?

A $900 **B** $1700 **C** $2500 **D** $2700

12 Why is a sales ledger control account used?

1 to control discounts received

2 to ensure credit customers pay promptly

3 to provide a trial balance figure for trade receivables

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

13 A bookkeeper is given the task of reconciling the sales ledger control account with balances in the sales ledger at the end of each month.

The sales ledger control account showed a debit balance of $26 000 before the bookkeeper discovered the following:

1 Contra entries of $1800 in the sales ledger had been omitted from the control account.

2 Discounts allowed of $3600 had been debited to the sales ledger control account.

3 The allowance for irrecoverable debts had been increased by $1200.

What is the correct figure for trade receivables at the end of the month?

A $15 800 **B** $17 000 **C** $18 800 **D** $20 600

© UCLES 2025

14 A business paid $5750 during its trading year for advertising. This amount included $500 in respect of the next financial year.

How would the correct treatment of the $500 affect the financial statements?

	profit for the year	net current assets
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

15 The books of a business showed the following balances at the end of the financial year on 31 December.

	$
trade receivables	18 820
allowance for irrecoverable debts	760

The following adjustments need to be made.

1 An irrecoverable debt of $470, which was written off in the previous year, has been recovered. No entries for this have been made in the financial statements.

2 Irrecoverable debts of $680 need to be written off.

3 The allowance for irrecoverable debts is to be 5% of trade receivables.

How will the total of these adjustments be recorded in the statement of profit or loss for the year ended 31 December?

A $63 expense

B $63 income

C $357 expense

D $357 income

© UCLES 2025

GradeMax

16 After preparing the financial statements of a sole trader, the following items were discovered.

1 Drawings consisted of goods taken for own use at their sales value of $12 000. The owner applies a mark-up of 50% on all goods sold.

2 Profit for the year included an insurance expense of $7500. One-third was for the owner's health insurance.

What is the effect on the profit for the year **after** correcting these items?

A $1500 decrease

B $3500 decrease

C $6500 increase

D $8500 increase

17 L and M are in partnership.

Which item should appear in the partnership appropriation account?

A additional capital contributed by M

B cash drawings of L and M during the year

C salary due to L

D salary paid to M's sister

18 Valerie and Paul are in partnership, sharing profits and losses in the ratio of 5 : 3 respectively.

The partnership profit for the year was $250 000.

The appropriation account of the partnership for the year included the following information.

	$
total interest on partners' drawings	12 000
total interest on partners' capital contributions	18 000

What was Paul's share of the residual profits?

A $82 500 **B** $91 500 **C** $93 750 **D** $96 000

© UCLES 2025

19 Which items will be shown in a company's statement of changes in equity?

1 a bonus issue of ordinary shares
2 an issue of debentures
3 a proposed dividend on ordinary shares
4 an upwards revaluation of the company's non-current assets

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

20 The table shows a company's equity.

	$
ordinary shares of $1.00 each	200 000
share premium account	80 000
revenue reserves	160 000

Changes now to be made to the equity (in the order given) are as follows:

- a one-for-one bonus issue of ordinary shares
- a rights issue of 100 000 ordinary shares of $1.00 each at $1.40 per share.

The company wishes to maintain reserves in the most flexible form.

What will be the equity of the company?

	ordinary share capital $	share premium $	revenue reserves $
A	500 000	40 000	40 000
B	500 000	80 000	nil
C	540 000	nil	40 000
D	540 000	40 000	40 000

© UCLES 2025

21 A company had the following balances at 31 December.

	$
inventory	31 000
trade receivables	88 000
allowance for irrecoverable debts	2 000
bank overdraft	9 000
cash in hand	5 000

The current ratio is 2.5 : 1.

What was the value of trade payables at 31 December?

A $38 600 **B** $39 800 **C** $40 600 **D** $57 800

22 The table shows year-end information for a company.

statement of profit or loss		statement of financial position	
	$		$
profit for the year	55 200	total assets	350 000
finance costs	12 000	total current liabilities	70 000

What is the return on capital employed (ROCE)?

A 16.00% **B** 19.20% **C** 19.71% **D** 24.00%

23 A restaurant owner paid the following:

1 cost of food ingredients
2 maintenance of cooking appliances
3 wages to the chefs
4 wages to the restaurant manager.

Which costs are indirect costs?

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

© UCLES 2025

24 Total costs for each of two months had been recorded. Variable cost per unit remained constant. Total fixed costs increased by $1000 in July.

	units produced	total costs
June	8 000	$76 000
July	10 000	$86 000

What was the total of the fixed costs in July?

A $31 000 **B** $36 000 **C** $41 000 **D** $76 000

25 P Limited uses an overhead absorption rate of $15 per machine hour, based on budgeted machine hours of 8000 per month.

In July, production required 8500 machine hours, and the under-absorption of overheads amounted to $16 500.

What were the actual overheads in July?

A $103 500 **B** $111 000 **C** $136 500 **D** $144 000

26 Which statement describes the purpose of overhead allocation?

A assignment of specific costs to production departments

B assignment of specific costs to service departments

C sharing out common costs between production departments

D sharing out common costs between service departments

27 A manufacturing business provides the following budgeted annual information.

	$
direct wages ($12 per labour hour)	600 000
fixed overheads	160 000

Fixed overheads are absorbed on the basis of direct labour hours.

A job requires direct materials costing $480 and needs 30 labour hours.

The business wishes to make a profit margin of 25% for this job.

What is the price to be quoted for this job?

A $1170 **B** $1248 **C** $1270 **D** $1404

© UCLES 2025

28 Which factor would cause the variable cost line on a break-even chart **not** to be a straight line?

A bulk-buying discounts from suppliers

B employing an extra factory supervisor

C plant and machinery depreciation

D renting additional warehouse space

29 The following information is available for a business.

	$
budgeted fixed costs per month	2000
target profit per month	3000
budget variable cost per unit	15
selling price per unit	40

Fixed costs are expected to increase by $500 per month, and variable costs are expected to increase by $5 per unit.

Which value of revenue will be required to achieve the target profit?

A $8000 **B** $8800 **C** $10 000 **D** $11 000

30 What are the assumptions of cost–volume–profit analysis?

1 fixed cost per unit is constant

2 selling price per unit is constant

3 sales volume is constant

4 variable cost per unit is constant

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

© UCLES 2025

GradeMax

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2025