GradeMax

Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **October/November 2025**

1 hour

You must answer on the multiple choice answer sheet.

9027883623

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.

© UCLES 2025

[Turn over

GradeMax

1 Which row describes an advantage and a disadvantage of operating as a sole trader?

	advantage	disadvantage
A	complete control over business operations	financial statements must be published
B	easy to set up	no one to share ideas with
C	separate legal identity	no one to share workload with
D	unlimited liability for business debts	limited opportunities to increase capital

2 At the end of a financial period, a business had the following assets and liabilities.

1 non-current assets at carrying value
2 current assets
3 non-current liabilities
4 current liabilities

How is the capital of the business calculated?

A 1 + 2 + 3 + 4
B 1 – 2 – 3 + 4
C 1 + 2 – 3 – 4
D 1 – 2 + 3 – 4

3 What are the documents to verify the existence of a sales transaction?

1 delivery note
2 price quotation
3 sales invoice
4 sales order

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

© UCLES 2025

GradeMax

4 A business makes an allowance for irrecoverable debts at the year end.

Which accounting concepts have been applied?

1 matching / accruals

2 materiality

3 prudence

4 substance over form

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

5 The owner of a business recently purchased a new delivery vehicle and made the payments shown.

	$
delivery vehicle	28 000
fitting shelves in the vehicle	3 000
painting business logo on the side of the vehicle	2 000

What was the total capital expenditure?

A $28 000 **B** $30 000 **C** $31 000 **D** $33 000

6 Which statements are correct?

1 Revenue income includes the amounts received from renting out part of the business premises.

2 Capital income includes amounts received from the sale of non-current assets.

3 Capital income includes loans taken by a business.

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

© UCLES 2025

[Turn over

7 Motor vehicles purchased for $530 000, at the start of the year, have been incorrectly depreciated for the whole year, using the straight-line method at 10% instead of 25%.

Ledger balances **after** the entries have been posted are as follows:

	$
motor vehicles at cost	530 000
provision for depreciation of motor vehicles	53 000

Which entries will correct the error?

	account to be debited	$	account to be credited	$
A	statement of profit or loss	79 500	provision for depreciation of motor vehicles	79 500
B	statement of profit or loss	132 500	provision for depreciation of motor vehicles	132 500
C	provision for depreciation of motor vehicles	79 500	statement of profit or loss	79 500
D	provision for depreciation of motor vehicles	132 500	statement of profit or loss	132 500

8 Vehicle X was purchased for $80 000. It had a useful life of five years and was expected to be sold for $5000 at the end of its useful life.

Vehicles are depreciated using the straight-line method.

Vehicle X is replaced by vehicle Y after three years of use.

The cost of vehicle Y is partly settled by the part exchange value of $20 000 of vehicle X.

What is the loss on disposal of vehicle X?

A $12 000 **B** $15 000 **C** $24 000 **D** $30 000

© UCLES 2025

GradeMax

9 A trial balance does **not** balance and a suspense account is opened.

Later the following errors are found and the suspense account is cleared.

1 A sales invoice for $1240 had been completely omitted from the books.

2 The figure for total purchases had been entered as $85 600. The correct amount should have been $87 580.

3 Rent paid of $2600 had been entered correctly in the cash book but entered as $6200 in the rent account.

What was the original balance on the suspense account?

A $1620 credit

B $1620 debit

C $5580 credit

D $5580 debit

10 When Neil received a bank statement, he updated the cash book. He then prepared a bank reconciliation statement.

Which item appeared on the bank reconciliation statement?

A bank charges shown on the bank statement

B cheques not presented for payment

C credit transfers received directly by the bank

D errors discovered in the cash book

11 A sales invoice to Jane has **not** been recorded in the books of prime entry.

Which accounts are affected by this error?

	sales ledger control	Jane
A	no	no
B	no	yes
C	yes	no
D	yes	yes

© UCLES 2025

[Turn over

12 A business makes all sales on credit. Its sales ledger control account had a balance of $20 000 at the end of July.

During August, the following transactions were recorded.

	$
credit sales	150 000
receipts from credit customers	135 000
returned cheques	5 000
returns inwards	11 000

What was the sales ledger control account balance at the end of August?

A $11 000 **B** $19 000 **C** $29 000 **D** $30 000

13 A business paid $5750 for advertising during its trading year. 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	current assets
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

14 A trader has calculated a **draft loss** for the year of $320. However, the following adjustments have still to be made.

1 Irrecoverable debts of $930 were recovered.

2 The allowance for irrecoverable debts had been $520. The required allowance is to be 5% of trade receivables. Trade receivables totalled $9600.

What is the revised profit or loss for the year?

A loss of $1210

B loss of $1730

C profit of $130

D profit of $650

© UCLES 2025

15 Jaime provided the following information.

	$
capital at the beginning of the year	14 000
capital at the end of the year	12 300
loan received during the year	4 000
cash drawings	17 200
private phone charges paid by the business	300

What was the profit for the year?

A $11 800 **B** $15 500 **C** $15 800 **D** $19 200

16 Which list shows entries that should be credited to a partner's current account?

A interest on partner's loan, partner's salary, share of profits

B interest on drawings, negative opening balance, share of loss

C interest on drawings, positive opening balance, share of loss

D interest on partner's capital, interest on drawings, share of profits

17 X and Y are in partnership, sharing profits and losses in the ratio of 3 : 2 respectively. Interest on drawings is 5%.

During the year ended 31 December, the amount that X and Y each drew was the same as their respective partner's salary. X and Y were charged interest on drawings of $550 and $450 respectively.

Profit for the year was $94 000, and loan interest paid to X was $3000.

What was Y's share of residual profit?

A $28 800 **B** $29 200 **C** $30 000 **D** $38 000

18 How is any premium on an issue of shares treated?

A added to a capital reserve

B added to a revenue reserve

C deducted from a capital reserve

D deducted from a revenue reserve

© UCLES 2025

GradeMax

19 The table shows a company's capital.

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

The following changes are now required to be made (in the order given):

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

The company wishes to maximise the amounts available to pay dividends.

What will be the ordinary share capital, share premium and revenue reserves 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

20 Which stakeholders would focus mainly on the liquidity of a business?

1 government
2 lenders
3 public and environmental bodies
4 suppliers

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

© UCLES 2025

GradeMax

21 A company's financial statements show the following information.

	$
profit from operations	125 000
profit for the year	116 000
shareholders' equity	423 000
long-term loan	80 000
current liabilities	45 000

What is the return on capital employed?

A 21.17% **B** 22.81% **C** 23.06% **D** 24.85%

22 The owner of a business has provided the following information.

average inventory	$15 000
rate of inventory turnover	8 times
mark-up	25%

What is the business's revenue?

A $144 000 **B** $150 000 **C** $160 000 **D** $210 000

23 An employee works a 40-hour week at an hourly rate of $8.

She receives a bonus of 30% of the hourly rate for time saved producing each unit. The target production time is 30 minutes per unit.

Last week she worked 40 hours and produced 90 units.

What were her total earnings for the week?

A $320 **B** $332 **C** $360 **D** $416

© UCLES 2025

[Turn over

24 In which circumstances are unit costing and job costing used?

	unit costing	job costing
A	in continuous operations	when a quantity of identical items is made
B	in continuous operations	when each product is different
C	when a quantity of identical items is made	when each product is different
D	when each product is different	in continuous operations

25 What is the most appropriate way to apportion the rent of a factory to each department?

A floor space

B number of employees

C production output

D value of machinery

26 The table shows figures for a factory's production in one week.

budgeted production	10 000 units
budgeted production overheads	$50 000
actual production overheads	$60 000
under-absorption of overheads	$5 000

What is the actual amount of production in the week?

A 9000 units **B** 9167 units **C** 11 000 units **D** 13 000 units

27 A business adopts marginal costing.

How is contribution calculated?

A sales revenue less variable production cost less fixed production cost

B sales revenue less variable production cost less fixed production cost less variable selling expenses

C sales revenue less variable production cost less variable selling expenses

D sales revenue less variable production cost less stepped cost

© UCLES 2025

28 The following information is available for a manufacturing business.

	$
sales revenue	800 000
variable costs	480 000
fixed costs	280 000

What is the sales revenue required for the business to make a profit of $200 000?

A $520 000 **B** $960 000 **C** $1 000 000 **D** $1 200 000

29 The following budgeted information relates to June.

	units
produced	5000
sold	4000

	$
sales revenue	180 000
direct materials and labour	130 000
variable overheads	15 000
fixed overheads	25 000

There is **no** opening inventory.

What is the budgeted profit in June, using marginal costing?

A $10 000 **B** $36 000 **C** $39 000 **D** $44 000

30 What are the major assumptions in cost–volume–profit analysis?

1 Costs can be identified as either variable or fixed.

2 The fixed cost per unit is constant as the activity rises.

3 The variable cost per unit fluctuates with the volume of activity.

4 The volume of activity is the only factor that affects revenue and variable costs.

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

© UCLES 2025

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