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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

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

1 hour

You must answer on the multiple choice answer sheet.

* 1 2 1 3 1 8 1 8 3 2 *

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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[Turn over

1 A company needs to raise finance to build a factory.

Which action is suitable to protect the existing shareholders' interest?

A bonus issue of shares

B fully subscribed rights issue of shares

C issue of debentures

D general issue of ordinary shares

2 Which items appear in the credit column of a trial balance?

A discounts allowed, returns inwards

B discounts allowed, returns outwards

C discounts received, returns inwards

D discounts received, returns outwards

3 A trader sells goods for $6600 to a customer on 31 March 2025, the last day of his financial year. He does **not** produce an invoice until three days later. He is advised that the sales of $6600 should be entered in the financial statements for the year ended 31 March 2025.

Which accounting concepts are being applied?

1 consistency

2 prudence

3 realisation

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

4 An item of capital expenditure has been treated as revenue expenditure.

What is the effect on the non-current assets and on the loss for the year?

	non-current assets	loss for the year
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

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5 Y Limited purchased a motor van and incurred the following expenditure at the beginning of the year.

	$
motor van	50 000
delivery of motor van	4 500
upgrading the engine	6 000
2-year maintenance contract	4 000
annual licence fee	1 200

The motor van is to be depreciated at 20% using the straight-line method.

What is the total amount of expenses to be included in the statement of profit or loss for the year?

A $14 340 **B** $15 300 **C** $17 300 **D** $20 100

6 A business charges depreciation on its property using the straight-line method.

At the start of the year, the business revalued its property upwards with the useful life remaining unchanged.

What is the change to the expenses and carrying value of the property at the end of the current year compared to the previous year?

	expenses	carrying value of property
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

7 X Limited purchased a property for $100 000 on 1 January 2010. The property had an expected useful life of 50 years. On 1 January 2024, the property was revalued at $119 000. The total estimated useful life still remained 50 years from 1 January 2010.

What is the charge for depreciation for the year ended 31 December 2024?

A $2000 **B** $2380 **C** $2778 **D** $3306

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8 The totals of a trial balance did **not** agree. As a result, a suspense account was opened with a credit balance of $1720. So far, two errors have been discovered:

1 The balance of the purchases returns account of $440 was omitted from the trial balance.

2 The bank overdraft balance was understated by $90.

What will be the updated credit balance of the suspense account after these errors are corrected?

A $1190 **B** $1370 **C** $2070 **D** $2250

9 The total of the discount column on the debit side of the cash book had been debited to the discount received account.

Which accounts will be used to correct this error?

1 discount allowed

2 discount received

3 suspense

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

10 At 31 December, the following information is available about a company's banking transactions.

	$
balance at bank per bank statement	22 650
uncleared deposits	3 110
unpresented cheques	6 290
bank credit recorded twice by bank in error	650

Which value for bank should be recorded in the statement of financial position at 31 December?

A $18 820 **B** $20 120 **C** $25 180 **D** $26 480

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11 A business maintains control accounts as a part of its double entry system. The balance of the purchases ledger control account is $8232. However, this does **not** agree with the total of balances in the purchases ledger.

The following account for the difference.

1 An entry in the purchases returns journal for $72 has been posted to the credit side of the individual trade payable's account in the purchases ledger.

2 An entry for discounts received in the cash book for $54 has been debited to the individual trade payable's account in the purchases ledger as $45.

What is the total of balances in the purchases ledger **before** these errors are corrected?

A $8079 **B** $8097 **C** $8367 **D** $8385

12 A sales ledger control account included the following entries:

1 contra with the purchases ledger control account $500, debit

2 discount allowed $600, debit

3 irrecoverable debts written off $1200, debit

Which entries must be corrected?

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

13 Which item would result in a credit entry in a statement of profit or loss?

A a reduction in the allowance for irrecoverable debts

B an increase in the allowance for irrecoverable debts

C the creation of an allowance for irrecoverable debts

D the writing off of a trade receivable

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14 A sole trader rented out part of his business office on 1 January 2024 at $500 per month for 24 months. During the year ended 31 December 2024, he received the following amounts:

- rent of $5500
- rent deposit of $500 refundable at the end of month 24.

Which amounts should be shown in the statement of financial position at 31 December 2024?

	current assets	current liabilities
A	nil	$500
B	$500	nil
C	$500	$500
D	$1000	nil

15 What will have the effect of increasing the profits when entered in the statement of profit or loss for a sole trader?

A carriage inwards

B discounts allowed

C goods taken for own use

D sales returns

16 A partnership maintains both capital and current accounts for its partners.

What is the correct accounting entry for recording interest on capital for partner X?

	account to be debited	account to be credited
A	appropriation	X's capital
B	appropriation	X's current
C	X's capital	appropriation
D	X's current	appropriation

17 Lee and Mia are in partnership sharing profits and losses in the ratio 4 : 3 respectively.

An error was made when their appropriation account for the year was prepared. Interest on drawings was omitted: Lee $90 and Mia $50.

By what amount will the balance of Lee's current account decrease when this error is corrected?

A $10 **B** $30 **C** $150 **D** $170

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18 The following information is extracted from the draft statement of financial position of a limited company at 31 December.

	$
ordinary share capital	900 000
share premium	80 000
general reserve	96 000
retained earnings (opening)	230 000
profit for the year	145 000

What is the maximum amount of dividend that the limited company can declare?

A $145 000 **B** $375 000 **C** $471 000 **D** $551 000

19 Who are the internal users of financial information?

1 bank
2 directors
3 employees
4 potential investors

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

20 A trader calculates his trade receivables turnover as 89 days.

What was the denominator (bottom figure) in his calculation?

A credit purchases
B credit sales
C trade payables
D trade receivables

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21 The following details have been extracted from the financial statements of a limited company.

statement of profit or loss for the year	
	$
profit from operations	59 800
finance costs	12 000
profit for the year	47 800

statement of financial position at the year end	
	$
equity	
ordinary share capital	700 000
retained earnings	72 500
total equity	772 500
non-current liabilities	
10% debentures	120 000

What was the return on capital employed?

A 5.36% **B** 6.19% **C** 6.70% **D** 7.74%

22 A business makes a single type of product. The following information is available.

production	total cost $
600 units	4200
800 units	5200

What is the fixed cost per unit?

	for 600 units $	for 800 units $
A	2.00	1.50
B	2.00	2.00
C	5.00	5.00
D	7.00	6.50

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23 W Limited is unsure whether to use marginal costing or absorption costing.

Which row is correct?

	charges overheads to expenses rather than to products	gives higher profits when inventory levels are increasing
A	absorption	absorption
B	absorption	marginal
C	marginal	absorption
D	marginal	marginal

24 J Limited makes individual pieces of furniture in customers' homes. The business adds a mark-up of 40% when quoting for jobs.

It received an enquiry from a prospective customer who lived 10 kilometres away. The materials would cost $400 and the labour $240. The business charges $2 per kilometre for **each** part of the journey.

What price will the company quote for the job?

A $916 **B** $924 **C** $936 **D** $952

25 A manufacturing company uses absorption costing. The following information for one month is available for the cutting department.

	budget	actual
overheads	$40 000	$44 000
machine hours	2 800	2 700
labour hours	2 600	2 900

What overhead absorption rate would have been used?

A $14.29 per machine hour

B $15.17 per labour hour

C $15.38 per labour hour

D $16.30 per machine hour

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26 A business provides the following information.

number of units produced and sold	48 000
	$
direct materials ($3 per kg)	298 000
direct labour ($4 per labour hour)	240 000
fixed selling costs	150 000
variable selling costs	24 000

Fixed production overheads are absorbed at $10 per labour hour.

What is the total absorption cost per unit?

A $14.83 **B** $23.71 **C** $26.83 **D** $27.33

27 What is the correct definition of margin of safety in dollars?

A the amount by which sales revenue exceeds total fixed and variable costs

B the amount by which sales revenue exceeds total marginal costs

C the amount by which sales revenue could fall before the break-even point is reached

D the total fixed costs divided by contribution per unit sold

28 A company had sales revenue of $500 000 and total costs of $400 000. Fixed costs were $120 000.

What was the total contribution?

A $100 000 **B** $220 000 **C** $280 000 **D** $380 000

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29 The following information is available.

	$	$
sales		250 000
variable production costs	150 000	
fixed production costs	30 000	180 000
gross profit		70 000
fixed administrative costs		50 000
profit for the year		20 000

What is the break-even point?

A $100 000 **B** $170 000 **C** $200 000 **D** $230 000

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

1 It assumes fixed costs will remain constant.

2 It cannot be used if multiple products are produced in a constant mix.

3 It ignores the possibility of semi-variable costs.

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

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