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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **May/June 2026**

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)

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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 or tape.
- 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 What are the advantages that ordinary shareholders have over debenture holders?

1 Debentures may be secured against assets.
2 Dividends are paid before debenture interest.
3 Ordinary shareholders have voting rights at annual general meetings.

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

2 Which item is entered in the general journal?

A a discount allowed to a customer
B the correction of an error in the ledger
C the sale of a non-current asset for cash
D cash drawings for private use by the owner

3 An amount of $84 000, debited to the motor vehicle account at the beginning of the year, included:

1 the purchase price of $70 000
2 a two-year maintenance contract of $8000
3 an engine upgrade of $6000.

Depreciation had been calculated using the straight-line method at 20% per annum.

The draft statement of profit or loss showed a profit for the year of $62 000.

What was the corrected profit for the year?

A $54 800 **B** $55 600 **C** $59 600 **D** $63 600

4 What is the reason for charging depreciation on non-current assets?

A to ensure non-current assets are regularly revalued
B to have funds to replace the non-current assets
C to record a lower profit for the year in order to pay less tax
D to match the cost of non-current assets with the revenue generated

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5 A business depreciates all its non-current assets by 20% per annum on cost. Depreciation is provided on a monthly basis in the year of purchase, but no depreciation is provided in the year of sale.

The general ledger included the following account for the financial year ended 31 December.

motor vehicles at cost account					
		$			**$**
Jan 1	balance b / d	40 000	July 1	disposal	16 000
Oct 1	bank	12 000			

How much depreciation should be charged on motor vehicles for the year ended 31 December?

A $5400 **B** $7000 **C** $7200 **D** $8600

6 Which statements describe limitations of reconciliation and verification procedures in accounting?

1 A trial balance does **not** reveal errors of principle within the general ledger.

2 Credit transfers are **not** recorded in the cash book until a bank reconciliation statement is prepared.

3 Errors in personal ledgers may be present after preparing control accounts.

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

7 A business has discovered several errors in its sales ledger. All the accounts in the other ledgers have been entered correctly.

The business does **not** maintain control accounts.

Which error will **not** affect the agreement of the trial balance?

A A sale to Clark of $2000 was debited to Clarkson's account.

B A sale to Garcia of $100 was entered in Garcia's account as $1000.

C A sale to Wong of $4700 was omitted from Wong's account.

D A sales return of $1200 was debited to Khan's account.

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8 A business prepared a trial balance which included a suspense account.

The following matters were then identified.

1 The sales account had been overcast by $4500.

2 Irrecoverable debts of $500 had **not** yet been recorded.

3 No entry had been made in the cash book for a payment of $1000 for wages, but this had been recorded in the general ledger.

After the appropriate corrections were made, the trial balance totals agreed.

What was the trial balance difference used to open the suspense account?

A $3000 **B** $3500 **C** $4000 **D** $4500

9 What are the purposes of preparing a bank reconciliation statement?

1 to check if cash has been stolen from the till

2 to identify errors on the bank statement

3 to obtain the correct balance of the bank account for financial statements

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

10 What is **not** a purpose of control accounts?

A to assist in the preparation of financial statements

B to identify all errors where the trial balance agrees

C to provide a total for trade receivables and trade payables

D to verify the accuracy of the individual ledger accounts

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11 A business maintains control accounts as a part of its double entry system.

A sales ledger control account has been prepared from the following details.

	$
opening balance	7 200
credit sales	23 400
receipts from credit customers	17 900
interest charged on overdue accounts	50
closing credit balance on a credit customer's account	100

What should be the total of debit balances in the sales ledger?

A $12 550 **B** $12 650 **C** $12 750 **D** $12 850

12 Inventory is valued at the lower of cost and net realisable value.

What is net realisable value?

A selling price

B selling price less cash discount

C selling price less further cost to completion

D selling price less trade discount

13 An inexperienced bookkeeper made entries for year-end adjustments. The resulting balances were used to prepare draft financial statements which showed a draft profit for the year of $38 000.

The bookkeeper made the following entries.

1 Prepaid insurance of $750 was debited to the insurance account.

2 The allowance for irrecoverable debts account was correctly debited by $1400, but no other entry was made.

3 Commission received in advance of $290 was credited to the commission received account.

What is the corrected profit for the year?

A $34 520 **B** $38 460 **C** $39 500 **D** $40 320

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14 A sole trader's financial year ends on 31 December.

How is the profit for the year calculated?

A net assets at 1 January – net assets at 31 December + drawings for the year

B net assets at 1 January – net assets at 31 December – drawings for the year

C net assets at 31 December – net assets at 1 January + drawings for the year

D net assets at 31 December – net assets at 1 January – drawings for the year

15 X sent goods to Y on a sale or return basis but treated them as a sale of $1200. The goods had a cost price of $750. Y had **not** decided whether to keep the goods.

A trial balance was extracted from the ledger and the following balances were included.

account	$
revenue	31 250
trade receivables	14 100

Inventory had been valued at $2300.

What should have been the correct values?

	revenue $	trade receivables $	inventory $
A	30 050	12 900	3050
B	30 050	13 650	3050
C	30 800	13 650	3500
D	30 800	14 850	3500

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16 The summarised information has been taken from the statement of financial position of a partnership.

	$
non-current assets	42 000
capital accounts	36 000
current accounts	6 000 debit
current liabilities	8 000
non-current liabilities	15 000

What is the value of current assets?

A $5000 **B** $6000 **C** $11 000 **D** $23 000

17 Exe and Wye are in partnership sharing profit and losses in the ratio 3 : 4 respectively.

Exe's share of the residual profit for a recent financial year was $3000. However, it has now been discovered that interest on drawings of Exe $300 and Wye $400 had been overlooked.

What is the corrected share of the residual profit for Exe?

A $2700 **B** $3300 **C** $3600 **D** $4400

18 What would **not** be included in a statement of changes in equity?

A bonus issue of shares

B dividend paid

C repayment of debentures

D rights issue of shares at par value

19 At the beginning of a financial year, a limited company had an issued share capital of $900 000, consisting of ordinary shares of $0.50 each. During the year, the company made a bonus issue of three ordinary shares for every two ordinary shares held.

What was the total number of ordinary shares at the year-end?

A 1 500 000 **B** 2 250 000 **C** 3 000 000 **D** 4 500 000

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20 Which statements are correct?

1 Use of different accounting methods may affect comparison of financial statements across companies within the same sector.

2 Comparison of financial statements for companies in places with high inflation can be difficult due to the historic cost principle.

3 Published financial statements are useful as they reflect the up-to-date financial position of the company.

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

21 A company provided the following information at the end of the year on 31 December:

	$
ordinary shares of $1 each	300 000
retained earnings (including the profit for the year)	65 400
revaluation reserve	54 600
12% debenture	100 000
profit for the year	31 400

What is the return on capital employed (ROCE)?

A 6.04% **B** 7.48% **C** 8.35% **D** 10.33%

22 The following information is available for a business.

sales for the year	$360 000
inventory at the start of the year	$18 000
mark-up on all inventory	25%
rate of inventory turnover for the year	12 times

What is the purchases figure for the year?

A $216 000 **B** $276 000 **C** $288 000 **D** $300 000

23 What is a direct cost?

A a cost that can always be traced to a cost item

B a cost that is always fixed

C a cost that is always semi-variable

D a cost that is always variable

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24 A trading company provided the following details about its inventory for January.

		units	total costs $
January 1	opening inventory	500	40 000
January 8	purchases	1100	90 200
January 16	purchases	400	33 200

During January, 1500 units were sold at $120 each.

What is the gross profit for January, using the first in first out (FIFO) method of inventory valuation?

A $56 600 **B** $57 450 **C** $58 000 **D** $58 100

25 Which type of business is most likely to use a job costing system?

A a mobile phone case manufacturer

B a university

C a water supply company

D a wedding photographer

26 A business provides the following information.

budgeted overhead costs	$280 000
budgeted labour hours	25 000
budgeted machine hours	20 000
actual overhead costs	$336 000
actual labour hours	35 000
actual machine hours	30 000

What is the over-absorption or under-absorption of overheads?

A $56 000 over-absorbed

B $56 000 under-absorbed

C $84 000 over-absorbed

D $84 000 under-absorbed

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27 After the first year of operation, a company calculated the profit by using both the absorption costing and marginal costing methods. The profit was different under each method.

What has caused the difference in profit?

A The actual sales volume is less than the budgeted sales volume.

B Some overheads are classified as semi-variable.

C There is an inventory of finished goods at the year-end.

D There is an inventory of direct materials at the year-end.

28 A business budgeted to produce and sell 10 000 units to achieve a profit of $40 000.

It has a budgeted selling price of $38 per unit and total fixed overheads of $90 000.

What is the budgeted variable cost per unit?

A $25 **B** $29 **C** $33 **D** $34

29 Y Limited produced 100 units in a month. The costs incurred in the month were as follows:

	$
direct costs	56 000
variable production costs	10 000
variable selling and administrative costs	8 000
fixed production costs	12 000
fixed selling and administrative costs	7 000

What is the value of one unit of inventory if marginal costing is applied?

A $660 **B** $740 **C** $780 **D** $930

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

1 inventory level is **not** constant

2 selling price per unit is constant

3 total fixed costs are constant

4 total variable costs change according to volume

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

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