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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

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

1 hour

6137837938

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 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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[Turn over

1 What are advantages to a business of operating as a limited company?

1 no requirement to publish financial statements
2 payment of dividends on shares is discretionary
3 separate legal identity
4 unlimited liability for the debts of the business

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

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

Which accounting principle is being applied?

A going concern
B matching
C materiality
D prudence

3 The trial balance of a sole trader contained an entry for gross profit.

Which account balances were also included in the trial balance?

A closing capital and closing inventory
B closing capital and opening inventory
C opening capital and closing inventory
D opening capital and opening inventory

4 A company purchased a delivery van for $20 000 at the start of a financial period. Other costs relating to the van paid during the period are shown:

	$
insurance	1 000
painting the van with the company logo	5 000
repairs and servicing	3 000
fuel	10 000

Which amount is the revenue expenditure relating to the van for the financial period?

A $4000 **B** $14 000 **C** $19 000 **D** $25 000

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5 An existing motor vehicle was part exchanged for a new motor vehicle.

Which entries record the part exchange?

	account debited	account credited
A	cash	motor vehicles at cost
B	disposal	motor vehicles at cost
C	motor vehicles at cost	cash
D	motor vehicles at cost	disposal

6 A business acquired a non-current asset for $25 000 at the start of a year. It was decided to depreciate the asset using the straight-line method, assuming a life of four years and a residual value of $5000.

The non-current asset was sold at the end of the same year.

The $15 000 cash received from the sale was added to sales revenue in the statement of profit or loss. No account was taken of the profit or loss on disposal of the non-current asset.

The profit for the year shown on the statement of profit or loss was $65 000.

What is the corrected profit for the year?

A $45 000 **B** $50 000 **C** $55 000 **D** $60 000

7 What are benefits of using verification and reconciliation procedures?

1 checks on the arithmetical accuracy of accounting records
2 elimination of the risk of fraud
3 prevention of errors in the books of account
4 provision of information for management

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

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8 At the end of a financial period, the trial balance of a business did **not** agree. A suspense account was created. The business does **not** maintain control accounts.

The following errors were then discovered.

1 The sales account was undercast by $23 600.

2 A payment of $1500 for stationery was posted to the advertising account.

3 Goods returned to a supplier for $9100 were debited to both the individual supplier's account and the sales returns account.

After correcting these errors, the suspense account had **no** remaining balance.

What was the opening balance on the suspense account?

A $5400 debit

B $32 700 debit

C $40 300 credit

D $41 800 credit

9 Helen checked her business bank statement before updating the cash book and preparing the bank reconciliation statement. She found:

- A cheque issued for $8 had **not** been presented.
- A cheque for purchases of $80 had been recorded as $60 in the cash book.
- The bank had recorded a cash deposit of $98 as $89.

By how much did the bank balance in the cash book change when Helen updated it?

A $9 decrease

B $12 increase

C $20 decrease

D $29 increase

10 Which item is recorded on the debit side of a sales ledger control account?

A interest charged on overdue accounts of customers

B irrecoverable debts written off

C returns of goods supplied to credit customers

D total of cash sales

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11 At the end of a financial period, the total of the balances on the individual accounts in the purchases ledger was $39 500.

This did **not** agree with the balance on the purchases ledger control account. The control account is part of the double entry system.

The following errors were then discovered.

1 A contra entry for $1300 recorded in the general journal had **not** been posted to the purchases ledger.

2 The purchases journal had been undercast by $850.

3 The discounts received column in the cash book had been undercast by $200.

After the relevant corrections were made, the total of balances in the purchases ledger agreed with the balance on the purchases ledger control account.

What was the balance on the purchases ledger control account **before** making the corrections?

A $37 550 **B** $38 200 **C** $39 500 **D** $40 150

12 A business maintains an allowance for irrecoverable debts of 2% of trade receivables.

At the start of a financial period, the business had a balance on its allowance for irrecoverable debts account of $4500.

During the period, irrecoverable debts had been written off totalling $7100.

At the end of the financial period, trade receivables amounted to $180 000.

Which entry appeared in the allowance for irrecoverable debts account to make the transfer to the statement of profit or loss for the period?

A $900 credit

B $900 debit

C $1042 credit

D $1042 debit

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13 The draft statement of profit or loss of a business showed a profit for the year of $134 000.

The following errors were found:

1 Commission received of $1200 had been credited to the rent received account.

2 Bank charges of $1600 had **not** been accounted for.

3 A payment of $2000 for wages had been credited to the wages account.

What is the corrected profit for the year?

A $127 200 **B** $128 400 **C** $130 400 **D** $132 400

14 What should be recorded in the trading section of a sole trader's statement of profit or loss?

1 carriage outwards

2 discounts received

3 goods taken for own use by the owner

4 sales returns

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

15 The following financial information is available for a business.

	$
draft profit for the year	12 650
closing capital	52 780

The following error has been discovered.

- Private fuel costs of $1930 had been charged in the business motor expenses account.

What are the correct figures for the year?

	profit for the year $	**closing capital $**
A	10 720	50 850
B	10 720	54 710
C	14 580	52 780
D	14 580	54 710

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16 John is a sole trader. His business provided the following balances at the end of a financial year.

	$
bank loan	25 700
cash at bank	78 000
inventory	64 000
office equipment (at carrying value)	21 000
loss for the year	4 900
trade payables	15 200
trade receivables	11 900

What was the capital balance at the **beginning** of the financial year?

A $117 900 **B** $129 100 **C** $138 900 **D** $145 500

17 What is a provision of the Partnership Act 1890?

A Partners will be charged interest on drawings.

B Partners share profits and losses equally.

C Partners are entitled to a salary.

D Partners are entitled to 5% interest on capital.

18 Dee, Jay and Kay are in partnership. They do **not** have a partnership agreement.

At the end of the financial year, the following information was available.

	$
current account (opening balance): Jay	2 800 debit
loan from Jay	16 000
profit for the year	36 600
drawings: Jay	6 500

The loan from Jay was made several years ago.

What was the credit balance of Jay's current account at the year end?

A $2900 **B** $3700 **C** $8500 **D** $9300

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19 Which item has **no effect** on the total equity of a limited company?

A bonus issue of shares

B dividends paid

C rights issue of shares

D upward revaluation of non-current assets

20 A company had an issued share capital of $400 000 made up of ordinary shares of $0.50 fully paid. The following transactions took place.

1 An issue of bonus shares on the basis of one ordinary share for every four ordinary shares already held was made.

2 Later, a rights issue of ordinary shares of one new share for every two already held at a premium of $0.15 per share was made. This issue was fully subscribed.

What is the increase in the company's bank account balance as a result of these transactions?

A $125 000 **B** $162 500 **C** $250 000 **D** $325 000

21 Which statements about users of accounting information are correct?

1 Shareholders will always receive higher dividends when profit margin increases.

2 Employees are interested in the profitability and liquidity of the company they work for.

3 Managers have no interest in the financial statements of other similar businesses.

4 Suppliers who trade with a company will find its trade payables turnover useful.

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

22 How is non-current asset turnover calculated?

A $\dfrac{\text{total net book value of non-current assets}}{\text{net revenue}}$

B $\dfrac{\text{net revenue}}{\text{total net book value of non-current assets}}$

C $\dfrac{\text{total cost of non-current assets}}{\text{net revenue}}$

D $\dfrac{\text{net revenue}}{\text{total cost of non-current assets}}$

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23 Workers are paid at a basic rate of $25 per hour, working 8 hours a day for a 40-hour week.

To finish an urgent job, eight workers were needed to work 10 hours every day, Monday to Sunday, for two weeks. They were paid a premium of 40% over the basic rate on the extra time worked each week.

What were the total wages paid for this job?

A $16 400 **B** $28 000 **C** $32 800 **D** $39 200

24 The manufacture of which product is best suited to job costing?

A aeroplanes

B medicines

C newspapers

D paint

25 A business manufactures a batch of 1000 tables for a furniture store.

The costs of a batch are as follows:

		$
direct materials		8 000
labour costs		
cutting	500 hours	7 500
assembly	1000 hours	20 000
finishing	500 hours	5 500

Fixed overheads are absorbed at 20% of labour costs.

What is the cost per table?

A $46.50 **B** $47.60 **C** $49.20 **D** $51.25

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26 A company provides the following information.

budgeted overheads	$136 000
budgeted labour hours	10 568
actual overheads	$146 000
actual labour hours	10 110

What is the overhead absorption rate per labour hour?

A $12.87 **B** $13.45 **C** $13.82 **D** $14.44

27 A company calculated its profits using both the marginal costing method and absorption costing method. The profits were the same.

Which statement about the company's production units is correct?

A They were greater than the break-even units.

B They were greater than the sales units.

C They were the same as the break-even units.

D They were the same as the sales units.

28 Which statement is **not** an assumption in break-even analysis?

A All units produced are sold.

B Costs can only be divided into fixed costs and variable costs.

C Total revenue and total costs are represented by straight lines.

D Unit selling price, unit variable costs and unit fixed costs remain constant.

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29 In the month of June, a manufacturing business produced 1200 units and sold 1000 units. There was **no** inventory on 1 June. The following information is also available.

	$
unit selling price	80
total variable costs	42 000
total fixed costs	30 000

Which statement is correct?

A Absorption costing profit is more than marginal costing profit by $5000.

B Absorption costing profit is less than marginal costing profit by $5000.

C Absorption costing profit and marginal costing profit are the same at $8000.

D Absorption costing profit and marginal costing profit are the same at $15 000.

30 Which statement about cost–volume–profit analysis is correct?

A It can help to achieve a reduction in fixed costs.

B It can only be shown in the form of a graph.

C It is useful for long-term decision making.

D It is useful for short-term decision making.

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