Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **February/March 2023**

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.

This document has **12** pages. Any blank pages are indicated.

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1 Why did Amitav prefer to form a partnership with Lennie rather than set up as a sole trader?

A Amitav was certain they could work without disagreements.

B Lennie had a different area of expertise to Amitav.

C The financial statements of a partnership are not shared publicly.

D The legal requirements in setting up the business would be reduced.

2 A credit customer cleared her debt of $600 after deducting a cash discount of $12.

How would the customer account appear in the books of the supplier after the payment has been recorded?

	debit	$	credit	$
A	balance b/d	600	bank discount allowed	588 12
B	balance b/d	600	bank discount received	588 12
C	bank discount allowed	588 12	balance b/d	600
D	bank discount received	588 12	balance b/d	600

3 What is the advantage of keeping a full set of double entry books of account?

A Account balances are available through the year.

B Business assets and owner's assets can be kept separate.

C It enables the book-keeper to check the bank statement for errors and omissions.

D It stops the value of assets being overstated.

4 At the start of a financial period, the owner's capital account of a business showed a balance of $85 000.

During the period, the owner introduced to the business a private vehicle worth $30 000. In addition, the owner made cash drawings of $15 000. The business made a net loss for the period of $22 000.

What is the balance on the capital account at the end of the period?

A $18 000 **B** $48 000 **C** $78 000 **D** $100 000

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5 A business has incorrectly recorded a vehicle purchase as a vehicle repair. The business does not charge depreciation on assets in the year of purchase.

What is the effect of this error on the financial statements?

	statement of profit or loss	statement of financial position
A	profit overstated	assets overstated
B	profit overstated	assets understated
C	profit understated	assets overstated
D	profit understated	assets understated

6 Non-current assets at the end of Year 1 were recorded as cost, $500 000, and carrying value, $360 000.

During Year 2, certain assets were sold. They had originally cost $100 000 and had been depreciated by $40 000.

The depreciation charge for the remaining non-current assets in Year 2 was $30 000.

What was the carrying value of non-current assets at the end of Year 2?

A $270 000 **B** $300 000 **C** $330 000 **D** $370 000

7 The cost of repainting a property was debited to the property account.

Which type of error was made?

A commission

B compensating

C original entry

D principle

8 A trial balance does not balance. The difference has been entered in a suspense account.

The following errors are found.

1 A cash payment of $630 for rent has been credited in the cash book and debited to the irrecoverable debts account.

2 The provision for depreciation account has been overcast by $960.

3 The purchases ledger control account balance of $48 300 has been included as a debit balance.

What is the correcting debit entry to the suspense account?

A $47 340 **B** $95 010 **C** $95 640 **D** $97 560

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

1 acts as a deterrent to fraud

2 identifies out-of-date cheques

3 prevents the business going into overdraft

4 provides the correct bank balance for financial statements

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

10 At the month end, a business bank statement showed a credit balance of $12 697. This did not agree with the cash book balance.

The following differences were found.

1 A cheque received, $7170, was entered as $7710 in the cash book.

2 A cheque paid in, $2400, had not been cleared by the bank.

3 A standing order, $450, was recorded in the cash book but had not been paid by the bank.

4 Bank interest payable of $642 had not been entered in the cash book.

What was the cash book balance before the necessary corrections were made?

A $9565 **B** $13 429 **C** $14 995 **D** $15 829

11 Which statements identify the advantages of using a purchases ledger control account as part of the accounting system?

1 Compensating errors within the purchases ledger can be found more easily.

2 Errors of commission within the purchases ledger will be detected.

3 The honesty of staff working on the accounts of trade payables is checked.

4 The total amount owing to trade payables can be ascertained quickly.

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

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12 The sales ledger control account of a trader showed a debit balance of $28 500 at the end of the financial period. This did not agree with the total of the individual trade receivables accounts in the sales ledger.

The following errors were discovered.

1 A dishonoured cheque for $300 from a credit customer had been entered on the credit side of the sales ledger control account.

2 Contras of $500 entered correctly in the sales ledger had been omitted from the sales ledger control account.

3 Discounts allowed of $700 had not been entered in the sales ledger control account.

Which figure should be used for trade receivables in the financial statements?

A $27 600 **B** $27 900 **C** $28 900 **D** $29 300

13 At the start of the year on 1 January, a business had an inventory of stationery which had cost $3740. On that date, $1200 was owed to suppliers for stationery.

During the financial year ended 31 December, a total of $38 800 was paid for stationery. Some old stationery was sold to staff for $240.

At the end of the year on 31 December, the business had an inventory of stationery valued at cost, $4200. On that date, $1800 was owed to suppliers for stationery.

Which figure should be included in the statement of profit or loss for the year ended 31 December for stationery?

A $34 960 **B** $36 160 **C** $38 700 **D** $38 940

14 The following information is extracted from the records of a business for a financial year.

	$
at 1 January	
rent paid in advance	4 000
during the year ended 31 December	
rent paid	41 000
at 31 December	
rent paid in advance	7 000

How much will be charged for rent in the statement of profit or loss for the year ended 31 December?

A $34 000 **B** $38 000 **C** $41 000 **D** $44 000

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15 Which items would affect a sole trader's gross profit?

1 carriage inwards

2 cash discounts allowed

3 commission received

4 trade discounts received

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

16 John and Mary are in partnership. After the first year of operation, the current accounts of both partners had a debit balance.

What might have caused the debit balances?

1 drawings

2 loss for the year

3 salaries they are entitled to

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

17 The following information is available for a partnership at the end of the financial year.

	$
residual loss	3 000
total salaries to partners	5 000
total interest on capital	27 000
total drawings	14 000
total interest on drawings	700

How much was the profit for the year?

A $14 300 **B** $20 300 **C** $28 300 **D** $34 300

18 A limited company intends to issue shares at a price above the par value.

Which items, apart from the bank balance, will be affected by the share issue?

A share capital, capital reserves and revenue reserves

B share capital and capital reserves only

C share capital and revenue reserves only

D share capital only

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19 The following information is available for a limited company for a financial year ended on 31 December.

	$
total equity on 1 January	492 000
profit for the year	70 500
dividends paid	24 000
dividends proposed	12 000

On 30 June, there was a bonus issue of 20 000 ordinary shares of $1 each.

On 31 December, the following decisions were made.

1 The buildings are to be revalued at $250 000. These had cost $200 000 and the accumulated depreciation was $50 000.

2 There is to be a transfer of $5000 to the general reserve.

What is the total equity on 31 December after these adjustments have been made?

A $588 500 **B** $613 500 **C** $618 500 **D** $638 500

20 A business has a rate of inventory turnover of 17 times.

What is the numerator in the calculation?

A average inventory

B closing inventory

C cost of sales

D credit sales

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21 The year-end statement of financial position of X Limited at 31 December shows the following:

	$000
non-current assets	1350
current assets	140
ordinary share capital	900
general reserve	150
long-term loan	200
current liabilities	90
retained earnings	150

The profit from operations for the year was $65 000 and finance costs were $20 000.

What was the return on capital employed for the year?

A 3.21% **B** 4.64% **C** 5.7% **D** 5.91%

22 Which statement is correct?

A Direct costs change in direct proportion to changes in levels of activity.

B Fixed costs remain as a constant proportion of total costs when output changes.

C Semi-variable costs increase in direct proportion to an increase in production.

D Stepped costs increase in direct proportion to an increase in production.

23 A manufacturer operates a bonus system. He provides the following information.

output required from each worker	175 units
time allowed to complete output	10.5 hours
actual time worked by Fred	7 hours

A bonus is paid of 25% of the labour costs for time saved, in addition to the hourly rate of $8.75.

What did Fred earn for his output of 175 units?

A $68.91 **B** $76.56 **C** $91.88 **D** $99.53

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24 A job cost sheet showed the following estimates.

	$
materials	680
labour at $20 per hour	200
overheads at $10 per labour hour	100
profit	280
price of job	1260

The job actually took 25% more labour hours than were estimated.

What was the actual profit?

A $205 **B** $230 **C** $330 **D** $355

25 What is the most suitable basis to apportion power costs between two production centres?

A capital cost of machinery

B maintenance cost of machinery

C number of employees

D number of units produced

26 A manufacturing business makes a single type of product. It has two production departments, machining and assembly. A maintenance department provides services to the production departments.

Budgeted figures for these departments are shown.

	machining	assembly	maintenance
overheads	$800 000	$400 000	$300 000
production units	200 000	50 000	

The business uses a cost per unit rate to absorb overheads. Maintenance department overheads are transferred to production departments in proportion to output.

Which figures are correct for the machining department?

	overheads $	cost per unit $
A	950 000	4.75
B	1 000 000	5.00
C	1 040 000	4.16
D	1 040 000	5.20

27 The following data applies to the budget for a job.

direct materials	$4800
direct labour	$2200
machine hours	240

Direct labour is employed at an hourly rate of $11.

Production overheads are charged at $25 per direct labour hour and an amount for selling and distribution overhead is calculated at 20% of factory cost.

What is the total cost of the job?

A $8400 **B** $12 000 **C** $14 400 **D** $15 600

28 A company has two production departments, manufacturing and assembly, and a stores service department. The overheads are apportioned to each department using the appropriate costing information supplied.

	manufacturing	assembly	stores
direct labour hours	8 400	33 600	
machine hours	20 160	6 720	
total cost of the stores department			$32 800
number of store requisitions	3 000	2 000	

What are the overhead absorption rates for the two production departments in respect of the stores?

	manufacturing department	assembly department
A	$0.39 direct labour hour	$0.98 machine hour
B	$0.58 direct labour hour	$0.65 machine hour
C	$0.65 machine hour	$0.58 direct labour hour
D	$0.98 machine hour	$0.39 direct labour hour

29 What does an increase in the marginal cost of a product cause?

A decreased contribution

B decreased fixed costs

C increased contribution

D increased contribution to sales ratio

30 Which statements describe the usefulness of cost–volume–profit analysis?

1 to see the relationship between costs and revenue at different levels of activity

2 to set the selling price of a product to achieve targeted profit

3 to set the selling prices for a variety of products

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

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