Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **May/June 2021**

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.

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[Turn over

1 Which of these items require entries to be made in the general journal?

1 purchase of a non-current asset on credit

2 sale of inventory to a customer on credit

3 the owner taking drawings from their business in cash

4 writing off an irrecoverable debt

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

2 Which statement relating to depreciation is **not** correct?

A A business can never change its accounting policy on depreciation.

B Depreciation is the allocation of the cost of a non-current asset over its useful life.

C Freehold land is usually not depreciated.

D Non-current assets of similar class are depreciated using the same method of depreciation.

3 Arnaud owned a vehicle which originally cost $20 000. During the year ended 31 May 2021, he paid for repairs of $3700 and provided depreciation of $4000.

On 31 May 2021, the vehicle had a net book value of $12 000. Arnaud sold the vehicle on that date and the loss on disposal amounted to $2500.

What were the **cash** inflows and outflows relating to the vehicle during the year?

	cash inflows $	cash outflows $
A	9 500	3 700
B	9 500	7 700
C	13 500	6 200
D	13 500	8 000

4 Two years ago a business purchased two machines costing $25 000 each.

During the third year one of them with a net book value of $16 000 was sold. A new machine costing $30 000 was purchased.

Depreciation is charged at 20% per annum using the reducing balance method on all the assets owned at the end of the accounting period.

What was the depreciation charge for the third year?

A $6000 **B** $9200 **C** $11 000 **D** $12 800

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5 Which statements about an unpresented cheque are correct?

1 It arises as the result of an error of omission.

2 It arises from a timing difference.

3 It is used when preparing a bank reconciliation statement.

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

6 The balance on the purchases ledger control account did not agree with the total of balances from the purchases ledger accounts. The following errors were then discovered.

1 Contra entries had not been entered in the general journal.

2 Debit balances on the purchases ledger had not been included in the control account.

3 Discount allowed total had been included in the control account.

4 Goods returned to a supplier had not been recorded in the purchases returns journal.

Which errors will require entries being made in the purchases ledger?

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

7 The correction of which error requires an entry in the suspense account?

A A cheque, $1000, paid to Kong had been debited to Kang's account.

B A purchase of stamps, $50, had been debited to the purchases account.

C Commission income, $170, had been debited to the loan interest account.

D The insurance account had been undercast by $200 and the wages account overcast by $200.

8 A business had a draft profit for the year of $200 000.

The following items were then discovered.

1 Depreciation charges had been overstated by $20 000.

2 The value of closing inventory was overstated by $15 000.

3 A year-end accrual for wages was needed, $8000.

4 A year-end adjustment for prepaid insurance, $2500, was required.

What was the corrected profit for the year?

A $159 500 **B** $199 500 **C** $240 500 **D** $245 500

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9 A trader purchased fixtures and fittings on credit from a supplier. These were faulty and were returned to the supplier.

Which entry in the trader's books of account recorded the return?

	account to debit	account to credit
A	fixtures and fittings	purchases returns
B	fixtures and fittings	supplier
C	purchases returns	fixtures and fittings
D	supplier	fixtures and fittings

10 A sole trader provided the following information.

	$
sales	200 000
opening inventory	50 000
closing inventory	75 000
gross margin	25%

What were the purchases for the year?

A $125 000 **B** $150 000 **C** $175 000 **D** $185 000

11 Which item would **not** appear in the financial statements of a sole trader?

A bank overdraft

B dividends paid

C interest received

D loss on disposal of machinery

12 L and M are partners sharing profits and losses equally. This year M's share of the profit is $18 000.

Next year they plan to change the partnership agreement so that L has an annual salary of $10 000 and a one-third share of any profits or losses.

What does the total partnership profit for next year need to be for M to receive the same amount of profit as this year?

A $22 000 **B** $34 000 **C** $37 000 **D** $42 000

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13 V and E are in partnership, sharing profits and losses equally.

Their capital accounts showed the following credit balances at 31 March 2021.

	$
V	80 000
E	40 000

Z was admitted as a partner on 1 April 2021. At that date the following items were taken into account.

1 Non-current assets were revalued downwards by $20 000.

2 Goodwill was valued at $80 000, but will not remain in the books of account after Z is admitted.

The new profit-sharing ratio will be V 40%, E 30% and Z 30%.

What was the balance on E's capital account after the admission of Z?

A $30 000 **B** $46 000 **C** $56 000 **D** $70 000

14 Which account is used to calculate the profit or loss on the dissolution of a partnership?

A appropriation account

B capital account

C realisation account

D revaluation account

15 Which statements apply when a bonus issue of ordinary shares is made by a company?

1 It will be made to existing shareholders.

2 The issue can be at a premium.

3 They can be issued at lower than market price.

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

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16 At the start of the year a limited company's equity was as follows.

	$
ordinary shares of $1 each	200 000
retained earnings	120 000

During the year the following took place.

1 Non-current assets were revalued upwards by $70 000.

2 An interim dividend of $30 000 was paid.

3 A 10% debenture (2030) of $10 000 was issued.

The profit for the year was $80 000.

What was the total equity at the end of the year?

A $380 000 **B** $390 000 **C** $440 000 **D** $480 000

17 The financial year of a limited company ends on 30 June. The following information is available regarding ordinary dividends.

for the year ended	dividend proposed $
30 June 2019	12 000
30 June 2020	19 000

During the year ended 30 June 2020, the company paid last year's proposed dividend in full together with an interim dividend of $4300.

What is the amount of dividends shown in the financial statements for the year ended 30 June 2020?

	income statement $	statement of changes in equity $	statement of financial position $
A	nil	16 300	nil
B	nil	23 300	23 300
C	19 000	16 300	nil
D	23 300	19 000	19 000

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18 The trade receivables turnover ratio figures for two companies are shown.

company	turnover in days
X	45
Y	55

What does this indicate about company Y?

A It has higher levels of trade receivables than X.

B It has higher liquidity than X.

C It is less efficient in managing its receivables than X.

D It offers less credit to its customers than X.

19 In 2019 a company's non-current asset turnover ratio was $\frac{\$20200}{\$5100}$ = 3.96 times.

During 2020 the following took place.

1 Net revenue was unchanged.

2 Discount allowed increased by $400.

3 Depreciation was $1000.

4 Purchases of non-current assets amounted to $1300.

What was the non-current asset turnover ratio in 2020?

A 3.09 times

B 3.16 times

C 3.67 times

D 3.74 times

20 Which statements are correct?

1 Fixed cost per unit changes with a change in the level of production.

2 Variable cost per unit changes with a change in the level of production.

3 Total fixed costs are unchanged within a given range of production.

4 Total variable costs are unchanged within a given range of production.

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

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21 An employee is paid $20 an hour basic pay for working seven hours a day. Overtime is paid at the rate of time and a quarter (basic pay plus 25%). A bonus is also paid at the rate of time and a half (basic pay plus 50%) for each unit produced in excess of eight units per day.

On Monday the employee worked 10 hours and produced 10 units.

How much did the employee earn on Monday?

A $175 **B** $200 **C** $215 **D** $275

22 A business uses absorption costing.

What will be included in cost of sales?

A variable manufacturing costs, variable selling costs and fixed manufacturing costs

B variable manufacturing costs and fixed manufacturing costs only

C variable manufacturing costs and variable selling costs only

D variable manufacturing costs only

23 A business absorbs its overheads on the basis of machine hours.

The following information is provided.

	actual	budgeted
overheads	$960 000	$900 000
machine hours	6200	6000

By how much were overheads under-absorbed or over-absorbed?

A over-absorbed by $30 000

B under-absorbed by $30 000

C over-absorbed by $60 000

D under-absorbed by $60 000

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24 The following information is provided about one unit of a product.

	$
selling price	100
contribution	40
profit	10

The selling price is expected to increase by $10. Costs are expected to remain unchanged.

What will be the change in the contribution to sales ratio?

A 3.64% decrease

B 3.64% increase

C 5.45% decrease

D 5.45% increase

25 The following information is available.

	$
unit selling price	36
direct cost per unit	18
selling commission per unit	2
total fixed costs	180 000
total units manufactured and sold	18 000

What was the margin of safety?

A 37.50% **B** 44.44% **C** 55.56% **D** 62.50%

26 How is break-even revenue calculated?

A (total fixed costs + total variable costs) divided by contribution per unit

B (total fixed costs + total variable costs) divided by contribution to sales ratio

C total fixed costs divided by contribution per unit

D total fixed costs divided by contribution to sales ratio

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27 A business manufactures three products.

The following information was provided.

per unit	X $	Y $	Z $
selling price	450	350	400
direct material	160	100	150
direct labour	115	95	190
contribution	175	155	60
fixed overheads	135	110	10
profit	40	45	50

Direct labour is in short supply. All direct labour is paid at the same hourly rate.

Which order of production should be used to maximise the profit?

A X → Z → Y

B X → Y → Z

C Y → X → Z

D Z → Y → X

28 The following information is available for a month.

per unit	$
selling price	100
contribution	30

Total fixed costs were $100 000 and budgeted sales were 5000 units.

The directors think that if they reduce the unit selling price to $95, sales will increase to 6500 units a month.

What would be the increase in profit as a result of this?

A $12 500 **B** $32 500 **C** $45 000 **D** $77 500

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29 A business makes and sells a single product.

It has a selling price of $100 and a contribution per unit of $40.

When output is 500 units, the business makes a profit of $2000.

The direct material price is expected to rise by $4 per unit.

How many units will need to be made and sold for the profit to be unchanged?

A 450 **B** 455 **C** 550 **D** 556

30 What is **not** an advantage to a business of preparing budgets?

A They can motivate managers and employees.

B They ensure that the business will not make loss.

C They facilitate coordination and communication.

D They provide a measure for evaluating performance.

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