Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **May/June 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.

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1 Which statement describes the purpose of preparing a trial balance?

A to assist in the preparation of financial statements

B to calculate owner's equity

C to calculate profit for the year

D to prove that ledger balances are free from errors

2 Phil purchased new premises and made the following payments.

	$
premises	60 000
legal fees relating to purchase	2 000
insurance for the financial year	700

When recording the purchase of the premises, the legal fees and insurance were both treated incorrectly.

Phil's accounting policy is **not** to charge depreciation on non-current assets in the year of purchase.

What was the effect of the errors on the profit for the year?

A $1300 overstated

B $1300 understated

C $2700 overstated

D $2700 understated

3 The delivery cost of a machine purchased for business use has been included in carriage inwards.

What is the effect on the profit for the year and on total assets?

	profit for the year	total assets
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

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4 Which factors are considered when choosing the most appropriate method of calculating depreciation?

1 the benefit received over the years by using the non-current asset

2 the non-current asset has a clearly defined life

3 the replacement cost of the non-current asset

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

5 The carrying value of a company's non-current assets at the beginning and end of a financial year is shown.

	$
at 1 January	100 000
at 31 December	80 000

During the year non-current assets were sold for $20 000 cash, realising a profit on disposal of $5000.

Depreciation charged for the year was $8000.

What was the expenditure on non-current assets during the year?

A $3000 **B** $5000 **C** $8000 **D** $15 000

6 Why would a book-keeper make use of verification procedures?

A to assist in the location of errors

B to check that accounting policies have been applied consistently

C to ensure that all transactions have been recorded

D to identify debts that have become irrecoverable

7 Douglas prepared a trial balance and found that the total of the debit column was $50 higher than the total of the credit column. The following errors were discovered.

error 1 a purchases invoice for $100 had been incorrectly recorded

error 2 an irrecoverable debt of $50 had been incorrectly recorded

Which combination of the two errors **together** caused the difference in the totals?

	error 1	error 2
A	recorded in purchases journal at $50	both entries reversed
B	recorded in purchases journal at $50	not recorded at all
C	recorded in sales journal rather than purchases journal	recorded in expense account only
D	recorded in sales journal rather than purchases journal	recorded in sales ledger account only

8 When preparing a bank reconciliation statement, which item is an uncredited deposit?

A a cheque to a credit supplier not yet recorded on the bank statement

B a credit transfer from a credit customer not yet recorded in the cash book

C an amount charged by the bank not yet recorded in the cash book

D an amount paid into the bank not yet recorded on the bank statement

9 A company received its bank statement dated 30 June showing a credit balance of $6890. The cash book on this date had a debit balance of $7234. The following items were discovered.

1 Bank charges of $54 had not been entered in the cash book.

2 Deposits made to the bank on 30 June for $490 had not been shown on the bank statement.

3 Suppliers had not banked cheques for $200.

Which figure should be used for bank in the statement of financial position at 30 June?

A $6600 **B** $6654 **C** $7126 **D** $7180

10 Where is discount allowed recorded?

	cash book	discount allowed account	sales ledger control account
A	credit side	credit side	credit side
B	credit side	debit side	debit side
C	debit side	debit side	credit side
D	debit side	credit side	debit side

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11 The closing balance on a sales ledger control account was $10 150.

It was then discovered that:

1 a sales invoice for $270 had been correctly entered in the sales journal but posted to the customer's account as $200

2 goods returned by a credit customer for $90 had not been entered in the sales returns journal.

What was the total of the individual sales ledger balances **before** the correction of these errors?

A $9990 **B** $10 080 **C** $10 170 **D** $10 220

12 A company undervalued the closing inventory for its current accounting period.

How did this affect gross profit?

	current period	following period
A	no effect	no effect
B	understated	overstated
C	understated	no effect
D	understated	understated

13 Draft financial statements for a business showed a profit for the year of $62 000.

The following errors were discovered.

1 Accrued loan interest payable of $3900 had not been accounted for.

2 Allowance for irrecoverable debts had been overstated by $4800.

3 Depreciation was found to be understated by $7500.

4 Prepaid rent expense of $2600 had not been accounted for.

What was the corrected profit for the year?

A $43 200 **B** $48 400 **C** $58 000 **D** $60 600

14 Joe is a sole trader.

Which statements relating to his business are **not** correct?

1 Joe can receive a bank loan for the business.

2 Joe's drawings are transferred to his capital account.

3 Joe's personal expenses are included in his statement of profit or loss.

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

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15 The owner of a business does not keep a full set of accounting records for his business.

The following information is available about assets and liabilities.

	current year end $	previous year end $
inventory	19 200	17 500
trade receivables	31 200	22 400
trade payables	14 300	16 600

All purchases and sales are on credit.

During the current year:

1 The business received $168 000 from customers after allowing them a discount of $3400.

2 The business paid $74 000 to suppliers for inventory. No discounts were received.

3 The owner took inventory of $3200 for personal use.

What was the gross profit for the current year?

A $110 000 **B** $110 200 **C** $111 700 **D** $113 400

16 A partnership agreement includes the following provisions.

1 interest on capital

2 interest on drawings

3 interest on partners' loans

Which provisions will result in entries in the partnership's appropriation account?

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

17 The partnership agreement of X and Y stated that interest on capital should be calculated at the rate of 10% per annum.

At the beginning of the year on 1 January, the balances on X's accounts were: capital $50 000, current $2000 debit.

On 1 July, X contributed additional capital of $20 000.

On 31 December, the balance on X's current account was $20 500 credit. He had made no drawings.

What was X's share of the residual profit for the year?

A $12 500 **B** $15 500 **C** $16 500 **D** $17 500

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18 The following actions took place in respect of a limited company.

1 A transfer of $50 000 was made from retained earnings to general reserve.

2 An issue of 200 000 ordinary shares of $1 each at a price of $2.50 each was made.

3 Non-current assets with a carrying value of $1 250 000 were revalued at $1 500 000.

4 Ordinary dividends of $100 000 were proposed.

What was the increase in the company's total equity?

A $450 000 **B** $500 000 **C** $650 000 **D** $750 000

19 Gordon sells goods on credit to Sybil.

Which information from Sybil's financial statements is of greatest interest to Gordon?

A current ratio

B gross profit margin

C mark-up

D return on capital employed

20 Which actions would, in general, improve the acid test ratio of a business in the short term?

1 delaying trade payables

2 selling inventory

3 selling surplus non-current assets

4 trade receivables paying their debts

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

21 A business had current liabilities of $4000 at its year end.

The acid test ratio was 1.5 : 1.

The current ratio was 2.25 : 1.

What was the value of inventory held at the year end?

A $3000 **B** $4000 **C** $9000 **D** $15 000

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22 The following information is available for a company for its year ended 31 December.

	$
non-current assets	472 000
current assets	60 000
current liabilities	45 000
interest paid	12 000
profit from operations	84 000
share capital	200 000
total reserves including the profit for the year	157 000
non-current liabilities	130 000

What is the return on capital employed?

A 14.78% **B** 17.25% **C** 20.17% **D** 23.53%

23 An employee is paid at the hourly rate of $20 basic pay for working 8 hours a day.

Overtime is paid at the hourly rate of basic pay plus 25% (time and a quarter).

A productivity bonus is also paid at the hourly rate of basic pay plus 50% (time and a half) for every unit produced more than 30 units per day.

On Wednesday, the employee worked 10 hours and produced 32 units.

How much was the employee's gross pay for Wednesday?

A $210 **B** $220 **C** $270 **D** $310

24 Julia is a retailer of electronic equipment. She decides to introduce a system of just-in-time inventory management.

Which benefit can she expect from this?

A to be able to take advantage quickly of product improvements

B to increase the amount of trade discount she can receive

C to limit the effect on her profit of price rises by the manufacturer

D to protect herself better from shortages of goods to sell

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25 Justine is an accountant and charges her clients a fee at an hourly rate plus overheads. She adds a mark-up of 20%.

The following budgeted information is available.

annual hours worked	1610
annual overhead expenditure	$56 350
direct labour rate per hour	$45
extra charge if job is greater than 15 hours	$200
overheads are charged on a direct labour hour basis	

How much will Justine charge a client for a job which takes 20 hours to complete?

A $1920 **B** $2000 **C** $2160 **D** $2250

26 Which statement describes the purpose of overhead apportionment?

A to assign specific costs to production departments

B to assign specific costs to service departments

C to share common costs to production departments

D to share common costs to service departments

27 A business has two production departments: machining and assembly. The budgeted direct labour hours for each department are:

machining 4000

assembly 16 000.

The business has calculated overhead absorption rates as:

machining $12 per direct machining hour

assembly $7.70 per direct labour hour.

Insurance of $4800 relating to the assembly department was incorrectly omitted when making the calculations.

What is the correct overhead absorption rate for the assembly department?

A $6.40 **B** $7.94 **C** $8.00 **D** $8.80

28 Which statements about marginal costing are correct?

1 It only uses fixed and variable costs in calculations.

2 It only uses variable costs in calculations.

3 It should only be used for long-term planning decisions.

4 It should only be used for short-term planning decisions.

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

29 A business makes and sells a single type of product. The following information is available.

per unit	$
selling price	10.80
direct material	2.20
direct labour	4.20

The business also has a semi-variable overhead associated with this type of product. The overhead is $32 000 when output is 20 000 units, but rises to $40 000 when output is 40 000 units.

What is the break-even point for this type of product?

A 5455 units

B 6000 units

C 7273 units

D 8000 units

30 What is the purpose of cost–volume–profit analysis?

A comparing actual and budgeted costs

B organising resources in the most efficient way

C planning to achieve targeted profit

D preparing annual financial statements

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