Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **May/June 2025**

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 Ahmed and Betty are in partnership. They plan to convert the business from a partnership to a limited company. Ahmed and Betty will be shareholders.

What is the benefit to Ahmed and Betty as shareholders?

A Disputes between them will be resolved in the annual general meeting.

B Their personal assets are protected.

C Their personal finances are **not** separate from those of the company.

D The value of their shares will increase.

2 What is the correct double entry to record goods taken for own use by the owner of a business?

	debit	credit
A	drawings	inventory
B	drawings	purchases
C	inventory	drawings
D	purchases	drawings

3 Which accounting concepts are applied when depreciating non-current assets?

1 consistency

2 matching / accruals

3 objectivity

4 prudence

A 1 and 2 only

B 1 and 3

C 1, 2 and 4

D 2, 3 and 4

4 Which account balance will be in the credit column of a trial balance?

A carriage inwards

B carriage outwards

C purchases returns

D sales returns

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5 The financial statements were prepared using the following details.

	$
purchase cost of machinery (included $450 for repairs to the machinery)	16 950
lighting and heating (included $250 for wiring in the factory extension)	1 780
carriage inwards (included $45 for delivery of new machinery)	230

What will be the amount of the decrease in non-current assets when capital and revenue items are treated correctly (ignore depreciation)?

A $155 **B** $200 **C** $405 **D** $450

6 What is the purpose of depreciating a non-current asset?

A to allocate its cost over its useful life

B to reflect its market value

C to reflect its replacement cost

D to reserve funds for its future replacement

7 The non-current assets of a business are shown in the table.

	end of the year $	start of the year $
cost	360 000	300 000
accumulated depreciation	120 000	75 000
carrying value	240 000	225 000

During the year, non-current assets costing $110 000 were bought, and non-current assets, with a carrying value of $20 000, were sold.

What was the depreciation charge for the year?

A $35 000 **B** $45 000 **C** $50 000 **D** $75 000

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8 After the profit for the year was calculated, the following errors were discovered.

1 Discount allowed of $550 was recorded as discount received.

2 Rental income of $3500 was recorded as an expense.

3 Wages of $4500 were recorded as $5400.

What will be the effect on the profit for the year **after** correcting these errors?

A decrease by $3850

B decrease by $6800

C increase by $3850

D increase by $6800

9 A business's suspense account appears as follows:

	$		$
discount allowed	150	opening balance	100
		sales	50
	150		150

Which statements are correct?

1 Total debits had been $100 less than total credits in the trial balance.

2 The sales account had been overcast by $50.

3 The discount allowed account had been overcast by $150.

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

10 Why does a business prepare a bank reconciliation statement?

A to determine the cash in hand balance

B to explain the difference between the cash book balance and the bank statement balance

C to identify dishonoured cheques from trade payables

D to prepare a statement of profit or loss

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11 A debit balance of $2600 was shown for the bank in the cash book of a business at the end of the month.

The bank statement included bank charges of $1200 and interest received of $500, both of which had **not** been entered in the cash book.

The bank column of the cash book had been overcast by $200.

The cash book included a payment of $800 which had **not** yet appeared on the bank statement.

What was the credit balance shown on the bank statement at the end of the month?

A $900 **B** $1700 **C** $2500 **D** $2700

12 Why is a sales ledger control account used?

1 to control discounts received

2 to ensure credit customers pay promptly

3 to provide a trial balance figure for trade receivables

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

13 A bookkeeper is given the task of reconciling the sales ledger control account with balances in the sales ledger at the end of each month.

The sales ledger control account showed a debit balance of $26 000 before the bookkeeper discovered the following:

1 Contra entries of $1800 in the sales ledger had been omitted from the control account.

2 Discounts allowed of $3600 had been debited to the sales ledger control account.

3 The allowance for irrecoverable debts had been increased by $1200.

What is the correct figure for trade receivables at the end of the month?

A $15 800 **B** $17 000 **C** $18 800 **D** $20 600

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14 A business paid $5750 during its trading year for advertising. This amount included $500 in respect of the next financial year.

How would the correct treatment of the $500 affect the financial statements?

	profit for the year	net current assets
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

15 The books of a business showed the following balances at the end of the financial year on 31 December.

	$
trade receivables	18 820
allowance for irrecoverable debts	760

The following adjustments need to be made.

1 An irrecoverable debt of $470, which was written off in the previous year, has been recovered. No entries for this have been made in the financial statements.

2 Irrecoverable debts of $680 need to be written off.

3 The allowance for irrecoverable debts is to be 5% of trade receivables.

How will the total of these adjustments be recorded in the statement of profit or loss for the year ended 31 December?

A $63 expense

B $63 income

C $357 expense

D $357 income

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16 After preparing the financial statements of a sole trader, the following items were discovered.

1 Drawings consisted of goods taken for own use at their sales value of $12 000. The owner applies a mark-up of 50% on all goods sold.

2 Profit for the year included an insurance expense of $7500. One-third was for the owner's health insurance.

What is the effect on the profit for the year **after** correcting these items?

A $1500 decrease

B $3500 decrease

C $6500 increase

D $8500 increase

17 L and M are in partnership.

Which item should appear in the partnership appropriation account?

A additional capital contributed by M

B cash drawings of L and M during the year

C salary due to L

D salary paid to M's sister

18 Valerie and Paul are in partnership, sharing profits and losses in the ratio of 5 : 3 respectively.

The partnership profit for the year was $250 000.

The appropriation account of the partnership for the year included the following information.

	$
total interest on partners' drawings	12 000
total interest on partners' capital contributions	18 000

What was Paul's share of the residual profits?

A $82 500 **B** $91 500 **C** $93 750 **D** $96 000

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19 Which items will be shown in a company's statement of changes in equity?

1 a bonus issue of ordinary shares
2 an issue of debentures
3 a proposed dividend on ordinary shares
4 an upwards revaluation of the company's non-current assets

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

20 The table shows a company's equity.

	$
ordinary shares of $1.00 each	200 000
share premium account	80 000
revenue reserves	160 000

Changes now to be made to the equity (in the order given) are as follows:

- a one-for-one bonus issue of ordinary shares
- a rights issue of 100 000 ordinary shares of $1.00 each at $1.40 per share.

The company wishes to maintain reserves in the most flexible form.

What will be the equity of the company?

	ordinary share capital $	share premium $	revenue reserves $
A	500 000	40 000	40 000
B	500 000	80 000	nil
C	540 000	nil	40 000
D	540 000	40 000	40 000

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21 A company had the following balances at 31 December.

	$
inventory	31 000
trade receivables	88 000
allowance for irrecoverable debts	2 000
bank overdraft	9 000
cash in hand	5 000

The current ratio is 2.5 : 1.

What was the value of trade payables at 31 December?

A $38 600 **B** $39 800 **C** $40 600 **D** $57 800

22 The table shows year-end information for a company.

statement of profit or loss		statement of financial position	
	$		$
profit for the year	55 200	total assets	350 000
finance costs	12 000	total current liabilities	70 000

What is the return on capital employed (ROCE)?

A 16.00% **B** 19.20% **C** 19.71% **D** 24.00%

23 A restaurant owner paid the following:

1 cost of food ingredients
2 maintenance of cooking appliances
3 wages to the chefs
4 wages to the restaurant manager.

Which costs are indirect costs?

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

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24 Total costs for each of two months had been recorded. Variable cost per unit remained constant. Total fixed costs increased by $1000 in July.

	units produced	total costs
June	8 000	$76 000
July	10 000	$86 000

What was the total of the fixed costs in July?

A $31 000 **B** $36 000 **C** $41 000 **D** $76 000

25 P Limited uses an overhead absorption rate of $15 per machine hour, based on budgeted machine hours of 8000 per month.

In July, production required 8500 machine hours, and the under-absorption of overheads amounted to $16 500.

What were the actual overheads in July?

A $103 500 **B** $111 000 **C** $136 500 **D** $144 000

26 Which statement describes the purpose of overhead allocation?

A assignment of specific costs to production departments

B assignment of specific costs to service departments

C sharing out common costs between production departments

D sharing out common costs between service departments

27 A manufacturing business provides the following budgeted annual information.

	$
direct wages ($12 per labour hour)	600 000
fixed overheads	160 000

Fixed overheads are absorbed on the basis of direct labour hours.

A job requires direct materials costing $480 and needs 30 labour hours.

The business wishes to make a profit margin of 25% for this job.

What is the price to be quoted for this job?

A $1170 **B** $1248 **C** $1270 **D** $1404

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28 Which factor would cause the variable cost line on a break-even chart **not** to be a straight line?

A bulk-buying discounts from suppliers

B employing an extra factory supervisor

C plant and machinery depreciation

D renting additional warehouse space

29 The following information is available for a business.

	$
budgeted fixed costs per month	2000
target profit per month	3000
budget variable cost per unit	15
selling price per unit	40

Fixed costs are expected to increase by $500 per month, and variable costs are expected to increase by $5 per unit.

Which value of revenue will be required to achieve the target profit?

A $8000 **B** $8800 **C** $10 000 **D** $11 000

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

1 fixed cost per unit is constant

2 selling price per unit is constant

3 sales volume is constant

4 variable cost per unit is constant

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

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