Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

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.

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

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1 What are **disadvantages** of operating as a partnership compared to operating as a sole trader?

1 Partners may be liable for the actions of the other partners.

2 Profits have to be shared between partners.

3 There is a risk of disputes between partners.

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

2 A business has the following balances at the end of a financial period.

	$
non-current assets	102 000
trade receivables	39 000
trade payables	27 000
profit for the period	65 000
drawings	32 000
long-term loan	50 000

What is the closing balance on the owner's capital account at the end of the financial period?

A $32 000 **B** $64 000 **C** $97 000 **D** $141 000

3 A sole trader uses the double entry system to record their business transactions.

Which transaction does **not** follow the double entry rules?

A An expense account is debited at the end of the year when there is an expense prepaid on that date.

B The capital account is credited when the sole trader introduces their personal computer to the business.

C The provision for motor vehicles depreciation account is debited when a motor vehicle is sold.

D The purchases account is credited when the sole trader draws goods from the business.

4 A business owns a property which is rented out to tenants.

Which of the following costs should be treated as capital expenditure?

A extending the kitchen area

B legal fee for a 5-year tenancy agreement

C repainting the property

D replacing a water pipe

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5 Which statements describe factors that may cause a non-current asset to depreciate?

1 a reduction in the estimated residual value of the non-current asset

2 the introduction of new technology making the non-current asset obsolete

3 a change in the estimated useful life of the non-current asset

4 physical deterioration due to increased use of the non-current asset

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

6 A business purchased a non-current asset which had an estimated life of 10 years. It is depreciated using the straight-line method.

At the date of sale, 5 years' depreciation had been charged. The following information is available.

	$
original purchase price	100 000
estimated residual value when purchased	20 000
selling costs	8 000
loss on sale	10 000

What were the sale proceeds?

A $48 000 **B** $50 000 **C** $58 000 **D** $62 000

7 A business maintains control accounts as part of its double entry system.

Which error would cause an entry in the suspense account?

A A purchases journal total of $9870 is incorrectly posted as $9780.

B Carriage outwards is credited to the carriage outwards account but correctly accounted for in the cash book.

C Discounts allowed are debited to the discounts allowed account and credited to the purchases ledger control account.

D Repairs to a vehicle are debited to the vehicles account.

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[Turn over

8 Which item is **not** likely to be updated in the cash book when preparing the bank reconciliation statement?

A direct debit

B dishonoured cheque

C standing order

D unpresented cheque

9 A draft statement of financial position shows a bank balance of $1400. The following information is now available.

	$
cheques issued but **not** yet cleared by the bank	150
bank charges **not** in the cash book	45
lodgements in the cash book but **not** on the bank statement	220

Which figure is shown on the bank statement?

A $1285 **B** $1355 **C** $1425 **D** $1515

10 Which item should be recorded as a debit entry in a sales ledger control account?

A contra entry between the sales ledger and the purchases ledger

B interest charged on an overdue credit customer's account

C irrecoverable debt written off

D total of sales returns

11 Some errors were made when preparing a purchases ledger control account. The incorrect balance was $15 830.

The following errors were discovered.

1 Refunds of $270, from credit suppliers, had been omitted from the control account.

2 The total of discounts received of $480 had been posted to the wrong side of the control account.

What was the corrected balance of the purchases ledger control account?

A $14 600 **B** $15 080 **C** $15 140 **D** $15 620

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12 The draft profit for the year of a business was $84 000.

The following errors were then discovered.

1 Discounts received of $2500 had been debited to the discounts allowed account.

2 Wages of $9000 had been completely omitted.

3 Sales returns of $8000 had been debited to the purchases returns account.

What is the corrected profit for the year?

A $64 000 **B** $72 000 **C** $77 500 **D** $80 000

13 Which items would increase the profit for the year?

1 increase in allowance for irrecoverable debts

2 decrease in allowance for irrecoverable debts

3 increase in prepaid rent expense

4 decrease in prepaid rent expense

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

14 Sam was unable to conduct a physical count of inventory at 31 December 2024.

On 3 January 2025, inventory was sold to Abdul for $11 950. The cost price of this inventory was $9560.

On 4 January 2025, inventory had been returned by Sita. It had been sold on 21 December 2024 for $2390. The cost price of this inventory was $1912.

Sam valued his inventory on 5 January 2025 at a cost of $59 750.

What was the value of inventory at 31 December 2024?

A $50 190 **B** $52 012 **C** $67 398 **D** $69 310

15 Why does a sole trader account for accrued income?

A so that current liabilities are **not** overstated

B so that current liabilities are **not** understated

C so that profit is **not** overstated

D so that profit is **not** understated

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16 The following information is available for a sole trader's business at the end of the financial year.

	$
cost of sales	540 000
expenses	325 000
profit for the year	63 000
sales returns	30 000

What was the total sales figure for the year?

A $865 000 **B** $895 000 **C** $928 000 **D** $958 000

17 A partnership maintains both capital and current accounts for its partners.

What is the correct accounting entry for recording interest on capital for partner X?

	account to be debited	account to be credited
A	appropriation	X's capital
B	appropriation	X's current
C	X's capital	appropriation
D	X's current	appropriation

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18 Arnold is in a partnership with Bradley. Their financial period ends on 31 December. One of the terms of their partnership agreement is that interest is charged on drawings on a monthly basis at the rate of 5% per annum. Arnold made the following drawings during the year on the dates specified.

	$
31 March	6 000
30 June	10 000
30 September	12 000
31 December	8 000

What is the correct treatment for interest on drawings in the appropriation account for the partnership?

A $625 added to profit for the year

B $625 deducted from profit for the year

C $775 added to profit for the year

D $775 deducted from profit for the year

19 Which statement is correct in relation to the financial statements of limited companies?

A Debentures are presented as part of the total equity.

B Dividend paid is shown in the statement of changes in equity.

C Proposed dividend reduces the balance of retained earnings.

D The gain from revaluation of non-current assets is added to retained earnings.

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20 A company provides the following information about its equity.

	$
150 000 shares $1 each	150 000
share premium	75 000
general reserve	125 000
retained earnings	25 000

The directors propose to issue bonus shares on the basis of one $1 share for every three already held.

Following this, the directors intend to make a rights issue on the basis of one new $1 share for every four shares held, at a premium of $0.20 per share.

What will be the total equity of the company after the share issues?

A $425 000 **B** $435 000 **C** $475 000 **D** $485 000

21 Which statements about ratios are correct?

1 Ratios are affected by accounting policies.

2 Ratios can be compared with industry averages.

3 Ratios generally ignore inflation.

4 Ratios include non-monetary items.

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

22 A limited company achieved a return on capital employed of 5% for the previous financial year.

The following additional information is available.

	$
equity	1 000 000
10% debentures	200 000
finance costs	20 000
taxation	10 000

What was the profit for the year of the company?

A $20 000 **B** $30 000 **C** $80 000 **D** $90 000

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23 A business rents machinery for use in its factory.

The rental cost of a machine is $12 000. Each machine has the capacity to produce 60 000 units.

The business provided the following information.

number of units	total costs excluding rental cost of machinery
	$
90 000	510 000
120 000	660 000

What is the total fixed cost to produce 100 000 units?

A $80 000 **B** $84 000 **C** $150 000 **D** $162 000

24 A company sells a product for $12 per batch.

The variable cost is $4 per batch.

Fixed costs are absorbed based on a normal activity level of 100 batches at $3 per batch.

What is the profit under marginal costing if the company makes and sells 125 batches?

A $500 **B** $625 **C** $700 **D** $1000

25 Which statements correctly compare the benefits of absorption and marginal costing?

	absorption costing	marginal costing
A	avoids the need to separate fixed costs and variable costs	useful when there is a limiting factor affecting production
B	is a recognised method of valuing inventory	ensures fixed costs are attributed to cost centres
C	useful for determining selling price	is a recognised method of valuing inventory
D	useful for short-term decision-making	useful for determining selling price

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26 The following table shows details of production for a week.

budgeted production overheads	$100 000
actual production overheads	$80 000
expected production	5000 units
over-absorption of overheads	$10 000

How many units were produced during the week?

A 3500 **B** 4375 **C** 4500 **D** 5625

27 A business has produced the following budget.

	$
revenue	700 000
contribution	560 000
fixed production costs	350 000
fixed non-production costs	20 000

What is its budgeted break-even sales revenue?

A $280 000 **B** $296 000 **C** $437 500 **D** $462 500

28 How is a margin of safety calculated?

A actual total contribution minus break-even contribution

B actual total contribution minus budgeted total contribution

C budgeted total sales units minus actual total sales units

D budgeted total sales units minus break-even sales units

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29 A business had a contribution to sales ratio of 40%. The following information is available.

	$
sales revenue	100 000
fixed costs	30 000
profit	10 000

It is predicted that the sales revenue will increase by 20% next year. Total fixed costs will remain unchanged.

What will be the increase in the profit?

A $8000 **B** $18 000 **C** $38 000 **D** $48 000

30 The actual output for a business is lower than forecast.

Which costs are usually the same as forecast?

1 fixed cost per unit
2 total fixed cost
3 total variable cost
4 variable cost per unit

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

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