Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **October/November 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 Which sources are external short-term sources of finance for a limited company?

1 bank overdraft

2 retained earnings

3 share capital

4 trade credit

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

2 A sole trader settles an account payable in full with her own money. This transaction has **not** been recorded.

What will be the effect when this is recorded?

A asset decreased and liability decreased

B asset increased and liability decreased

C liability decreased and capital increased

D liability increased and capital decreased

3 Sally had $1000 in the bank when she paid $1500 to buy goods for resale. The bank allowed the payment.

How was this transaction recorded in Sally's books of account?

	account debited	$	account(s) credited	$
A	inventory	1500	bank	1500
B	inventory	1500	bank bank overdraft	1000 500
C	purchases	1500	bank	1500
D	purchases	1500	bank bank overdraft	1000 500

4 Which items identify revenue expenditure and a capital receipt?

	revenue expenditure	capital receipt
A	carriage inward on a non-current asset	issue of debentures
B	commission received	proceeds from sale of non-current asset
C	discounts allowed	cash drawings
D	repair of motor vehicle	receipt of loan from lender

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5 Which statement identifies why depreciation is provided on non-current assets?

A so that the cost is allocated to periods that benefit from them

B so that the realisation concept is applied

C so that there is enough cash in the business to replace them

D so that they are shown at market value

6 New equipment costing $40 000, with an estimated residual value of $6000, was acquired at the beginning of the year on 1 January.

On the same date the business made the following payments in respect of the equipment.

	$
delivery	5000
installation	7000
8-year maintenance contract	8000

The equipment has an estimated life of 8 years. The business uses the straight-line method of depreciation.

What would be the carrying amount for this item at the end of the year on 31 December?

A $35 750 **B** $46 250 **C** $52 500 **D** $53 250

7 Which error would **not** be identified by preparing a trial balance?

A A contra entry of $650 had been entered twice in the sales ledger control account.

B A purchase invoice of $495 had been recorded as $459 in the purchases journal.

C Carriage inwards of $57 in the cash book had been recorded as $75 in the carriage inwards account.

D Discount allowed of $35 had been credited to the discount received account.

8 During the year a sole trader withdrew $3000 cash from the business bank account. Accounting entries made were a debit of $300 to the drawings account and a credit of $3000 to the bank account.

In addition, $500 had been omitted from the discount received account in the trial balance.

What was the balance on the suspense account **before** these errors were corrected?

A $2200 debit

B $2200 credit

C $3200 debit

D $3200 credit

9 A company's bank statement showed a credit balance of $2000.

The following issues were found.

1 A receipt of $2700 and a payment for $3000 were recorded on the bank statement. Both had been omitted from the cash book.

2 Bank charges of $500 were correctly shown on the bank statement but had been recorded as $600 in the cash book.

What was the cash book balance **before** any necessary adjustments were made?

A $1600 **B** $1800 **C** $2200 **D** $2400

10 Why might a business maintain a sales ledger control account as part of the double entry accounting system?

1 to facilitate prompt preparation of financial statements

2 to help reduce fraud

3 to provide details of all sales transactions

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

11 The purchases ledger control account showed a balance of $79 500 **before** the following errors were taken into account.

1 A contra of $5300 between the purchases and sales ledger control accounts had been omitted.

2 Cash purchases of $1200 made on the last day of the period had not been recorded.

3 The discount received column in the cash book had been overcast by $6200.

4 The returns inwards journal had been undercast by $1500.

Which figure for trade payables should be included in the statement of financial position?

A $78 900 **B** $80 100 **C** $80 400 **D** $81 600

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12 A business has trade receivables of $52 000 at the year-end.

The allowance for irrecoverable debts in the draft statement of financial position is $3000.

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

What is the effect of changing the allowance?

	on profit	on current assets
A	decrease by $2600	decrease by $400
B	decrease by $2600	decrease by $2600
C	increase by $400	decrease by $400
D	increase by $400	increase by $400

13 A trader prepared her financial statements but made no adjustments for accrued rent receivable at the end of the year.

What is the effect of this omission?

	current assets	current liabilities	profit for the year
A	no effect	overstated	overstated
B	overstated	no effect	understated
C	understated	overstated	no effect
D	understated	no effect	understated

14 A sole trader calculated her draft profit for the year as $50 000.

She asked her accountant for advice regarding four issues which she thought might affect the draft profit.

1 A customer debt of $2000 needs to be written off as irrecoverable.

2 She accounted for her drawings of $10 000 as if they were staff salaries.

3 She wants to increase the value of a non-current asset by $20 000.

4 The existing charge for depreciation is overstated by $5000.

What was the profit for the year?

A $43 000 **B** $57 000 **C** $63 000 **D** $73 000

15 Which items in the books of a partnership would increase the profit available for distribution to the partners?

1 discount received

2 interest on capital

3 interest on drawings

4 partnership salary

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

16 L and M are in partnership, sharing profits and losses in proportion to their capital invested. The following information is available.

		$
capital:	L	68 000
	M	102 000
profit for the year before appropriation		28 900
drawings:	L	8 000
	M	12 000

No interest is charged on drawings up to $10 000 for each partner.

Interest at a rate of 5% is charged on any drawings in excess of $10 000.

What was L's share of residual profit?

A $11 520 **B** $11 600 **C** $11 800 **D** $11 960

17 Which statements describe the advantages of a rights issue of shares?

1 Additional funds for a company can be raised cheaply.

2 Control of the company remains with existing shareholders if all rights are taken up.

3 It is an alternative to dividends as a way of rewarding existing shareholders.

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

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18 The following information is available for a limited company's financial year ended 31 December.

1 At 1 January the total equity was $350 000. This included 100 000 ordinary shares of $1 each.

2 On 30 June there was a rights issue of 10 000 ordinary shares for $1.50 each. This was fully subscribed.

3 On 1 October the company paid a dividend of $0.10 per ordinary share.

4 On 1 December a dividend was proposed totalling $20 000.

5 Profit for the year was $26 500.

What was the total equity on 31 December?

A $360 500 **B** $375 500 **C** $380 500 **D** $391 500

19 Why would employees be interested in their employer's financial statements?

A to assess whether the business can continue to trade in the foreseeable future

B to compare their salaries with the employees of competitors

C to put a value on the reputation of the business

D to understand the impact of the business on the economy

20 A business received a five-year loan of $40 000. The loan was paid into the bank current account.

What was the effect of the loan?

	current ratio	return on capital employed
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

21 The draft financial statements of a business for the year ended 30 June included the following:

	$
revenue	280 000
gross profit	60 000

It was subsequently discovered that the closing inventory was understated by $10 000.

What was the gross profit margin **after** correcting this error?

A 17.9% **B** 20.7% **C** 21.4% **D** 25.0%

22 The following information is available for a company.

sales revenue for the year	$1 600 000
debenture interest paid	$60 000
gross profit margin	20%
operating expenses to revenue ratio	12%
return on capital employed	16%

What is the company's capital employed?

A $256 000 **B** $425 000 **C** $800 000 **D** $2 000 000

23 What are the benefits of operating a just in time (JIT) system of inventory management?

1 increased efficiency

2 reduced warehouse costs

3 reduced waste

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

24 Eight employees work in a team. Each employee is paid $16 an hour and the team share a group bonus between them, which is based on their output of product. For any production in excess of 500 units the team, as a group, is paid a bonus of $8 per unit. The bonus is shared equally and paid on a weekly basis.

Last week, each member of the team worked 40 hours, and the team as a whole produced 560 units.

What is the pay of each member of the team?

A $700 **B** $760 **C** $1120 **D** $1200

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25 Which type of business is most likely to use a batch costing system?

A an aircraft manufacturer

B a car component manufacturer

C a ship construction yard

D a wedding cake maker

26 A company is asked to make a new machine for a customer. It provides the following estimates.

Materials will cost $1100.

Labour will be 30 hours at a cost of $14 per hour.

The company charges overheads at $10 per labour hour and has a mark-up of 30% on total cost.

What is the price on the job cost sheet?

A $1520 **B** $1820 **C** $1976 **D** $2366

27 Which formula would be used to calculate an overhead absorption rate for a capital-intensive production process?

A $\frac{\text{labour hours}}{\text{overhead costs}}$

B $\frac{\text{machine hours}}{\text{overhead costs}}$

C $\frac{\text{overhead costs}}{\text{labour hours}}$

D $\frac{\text{overhead costs}}{\text{machine hours}}$

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28 A company provides the following information.

	department X	department Y
budgeted overheads	$150 000	$210 000
budgeted direct labour hours	2000	10 000
budgeted machine hours	8000	1000

What is the most appropriate overhead absorption rate for each department?

	department X	department Y
A	$18.75 per machine hour	$21 per direct labour hour
B	$75 per direct labour hour	$210 per machine hour
C	$18.75 per machine hour	$210 per machine hour
D	$75 per direct labour hour	$21 per direct labour hour

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

selling price	$10 per unit
sales volume	10 000 units
variable costs	$5 per unit
fixed costs	$25 000

The sales director has recommended a 20% reduction in the selling price of the product.

Variable costs will reduce to $4 per unit.

The sales volume would be expected to increase by 5%.

What will be the new budgeted profit?

A $15 000 **B** $17 000 **C** $20 000 **D** $27 500

30 How is contribution calculated?

A sales revenue – absorption cost

B sales revenue – fixed cost

C sales revenue – marginal cost

D sales revenue – total cost

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