Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **October/November 2024**

1 hour

You must answer on the multiple choice answer sheet.

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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 statements are true of a bank overdraft?

1 it is long-term finance

2 it is short-term finance

3 it is of fixed amount

4 it is of variable amount up to a limit

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

2 Marcus bought a non-current asset. Instead of paying in full he decided to pay in instalments over the next six months.

What was the effect of his decision during the next six months?

A bank overdraft was lower

B current ratio was higher

C liquidity was worse

D non-current liabilities were greater

3 A business sells a non-current asset for cash. The disposal account includes entries for the cost of the asset and the sales proceeds.

Which books of prime entry are used?

	cost of asset	sales proceeds
A	cash book	general journal
B	cash book	sales journal
C	general journal	cash book
D	purchases journal	cash book

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4 The owner of a business received an order from a customer on the last day of the financial year, 31 December, and despatched the goods on the same day. The goods were invoiced to the customer a few days later, on 3 January.

Which accounting concept should be applied when deciding whether to record the sale on 31 December or 3 January?

A consistency

B objectivity

C prudence

D realisation

5 Details regarding the purchase of a non-current asset are as follows:

	$
cost of new machine	20 000
expected residual value	5 000
installation cost of new machine	3 000
cost of inventory for use in new machine	6 000

Which amount was recorded as capital expenditure for the new machine?

A $15 000 **B** $20 000 **C** $23 000 **D** $29 000

6 A depreciated non-current asset is revalued upwards.

What is the effect of this?

	capital reserve	revenue reserve
A	decrease	no effect
B	increase	no effect
C	no effect	decrease
D	no effect	increase

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7 A business depreciates its non-current assets at 20% using the straight-line method. Depreciation is calculated on a time basis in the year of acquisition and disposal.

	$
non-current assets, at cost, 31 December (previous year)	200 000
purchase of machinery 1 January (current year)	50 000
disposal of machinery 30 September (current year)	40 000
non-current assets, at cost, 31 December (current year)	210 000

What is the depreciation charge for non-current assets for the current year ended 31 December?

A $42 000 **B** $48 000 **C** $50 000 **D** $52 000

8 The following errors were found after a suspense account was opened.

1 A cash purchase of goods for resale for $450 had been completely omitted from the books.

2 A payment for electricity was debited in the electricity account as $2500 instead of $5200.

3 Discount allowed of $50 had been debited to the discounts received account.

4 Motor repairs of $400 were credited to the motor vehicle at cost account.

Which errors would be entered in the suspense account?

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

9 A business is preparing a bank reconciliation statement. The following information is available.

	$
uncleared lodgements	3450
unpresented cheques	2950
cash book balance	7650 credit

What is the debit balance on the bank statement?

A $1250 **B** $7150 **C** $8150 **D** $14 050

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10 Which sources of information will be required to prepare a sales ledger control account?

1 cash book

2 general journal

3 sales and sales returns journals

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

11 The opening balance on a purchases ledger control account was $18 400.

The following errors or omissions were then discovered.

1 A supplier's invoice for $860 had been entered as $680 in the purchases journal.

2 An item for $250 in the purchases returns journal had been credited to the supplier's account.

3 Discounts received of $400 had been credited to the purchases ledger control account.

4 It had been agreed to set-off $150 owing to a customer against their account in the sales ledger. No entries had been made to the sales or purchases ledger control accounts.

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

A $17 630 **B** $17 780 **C** $17 970 **D** $18 180

12 What is a purpose of financial statements?

A to aid the managers in running the business

B to allow the owner to take drawings

C to ensure a profit is made

D to ensure accuracy of the double entry

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13 A business owner provided the following information at the end of his first year of trading.

	$
closing inventory	15 000
total payments to suppliers	60 000
amount owing to suppliers	5 000
total receipts from customers	85 000
amount owed by customers	10 000

What was the gross profit for the year?

A $10 000 **B** $15 000 **C** $25 000 **D** $45 000

14 Lu had the following capital account balances.

End of year 1	End of year 2
$45 700	$63 400

During year 2 the following took place:

1 cash drawings $33 000

2 personal motor vehicle introduced to the business at a value of $24 500.

Expenses for the year include a payment for rent of $10 000, of which 40% was for Lu's personal use.

What was his profit for year 2?

A $5200 **B** $13 200 **C** $22 200 **D** $30 200

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15 A business maintains an allowance for irrecoverable debts of 2% of trade receivables.

At the beginning of the financial year on 1 January the trade receivables total was $48 000.

At the end of the financial year on 31 December the trade receivables total was $37 000.

When the business owner prepared the statement of profit or loss for the year ended 31 December, an irrecoverable debt of $1600 which had occurred during the year had **not** been written off. No adjustment had been made to deal with the allowance for irrecoverable debts at 31 December.

By which amount was the profit for the year overstated?

A $892

B $1348

C $1852

D $2308

16 Anne and Margaret have formed a partnership but have **not** made a partnership agreement.

Which statement is correct for this situation?

A any loan made to the partnership by a partner will carry interest at the rate of 5% per annum

B interest will be charged on drawings at the rate of 5% per annum

C partners will be entitled to interest on capital at the rate of 5% per annum

D partners will be entitled to salaries in proportion to the capital contributed

17 P and Q are in partnership sharing profits and losses equally.

The following information is available in respect of P.

	$
current account credit balance at start of the year	20 150
share of asset revaluation	10 000
drawings	10 200

The total partnership profit for the year was $130 000.

Partnership salaries were P $20 000, Q $30 000.

What was the balance on the current account of P at the end of the year?

A $10 350 **B** $69 950 **C** $79 950 **D** $90 350

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[Turn over

18 Which statements are correct?

1 capital reserves arise from normal trading activities

2 capital reserves can be used to pay dividends

3 revenue reserves may be used when bonus shares are issued

4 revenue reserves represent profits which have been realised

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

19 The following information is provided for a company for the financial year ended 31 March.

	$
revenue	7 200 000
administrative expenses	320 000
finance costs	150 000
distribution costs	250 000
dividend paid	60 000

There were no other expenses for this period.

The company adds a uniform mark-up of 25% on all goods sold.

What was the profit from operations for the year ended 31 March?

A $720 000 **B** $870 000 **C** $1 080 000 **D** $1 170 000

20 Which statement is a limitation of accounting ratios?

A they **do not** aid comparison with the business's past performance

B they **do not** help with future decision making

C they **do not** help with inter-firm comparisons

D they **do not** take account of qualitative factors

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21 A business provided the following information at the end of a financial period.

	$
total purchases for the period	700 000
cash purchases during the period	200 000
trade payables at the start of the period	80 000
trade payables at the end of the period	60 000

What is the trade payables turnover in days?

A 32

B 37

C 44

D 52

22 Which cost will increase as production decreases?

1 fixed costs per unit

2 total fixed costs

3 total variable costs

4 variable cost per unit

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

23 X Limited leases a piece of equipment to perform quality inspections. This costs $8000 per annum plus $2 for each inspection performed.

An inspection is performed on every tenth item produced. Production is 120 000 units per year.

Which type of cost is incurred and what is the annual cost?

	type of cost	annual cost $
A	semi-variable	24 800
B	semi-variable	32 000
C	stepped	24 800
D	stepped	32 000

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24 A business uses the weighted average cost (AVCO) method of inventory valuation. During March the following transactions took place.

1 March	opening inventory 200 units at $6.00 per unit
14 March	received 300 units at $6.50 per unit
20 March	issued 250 units to production at $7.00 per unit
28 March	received 100 units at $6.70 per unit

What is the value of inventory at 31 March?

A $2195 **B** $2245 **C** $2295 **D** $2450

25 Ammu provided the following information about a specific job to make jewellery for a wedding.

1 Cost of materials required is $10 000.

2 Ammu needs 10 hours at $125 per hour to design the jewellery.

3 Her assistant needs 100 hours at $70 per hour to make the jewellery.

4 Fixed overheads are absorbed at $50 per labour hour.

5 A mark-up of 20% is to be applied.

What will be the price quoted for the job to make the jewellery for the wedding?

A $21 900 **B** $23 750 **C** $26 400 **D** $28 500

26 Which statement about absorption costing is correct?

A It aids the preparation of budgets.

B It follows the matching / accruals concept.

C It is the best costing method for managerial decision making.

D It produces the same unit cost in the long run whatever the output.

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27 The canteen costs of a business have been apportioned to production departments 1 and 2.

Total canteen costs apportioned to production department 1 were $40 200.

Of these, $3900 could be attributed to a special function by production department 1. The remainder were apportioned on the basis of employee numbers, which were 15 for production department 1 and 10 for production department 2.

What were the **total** canteen costs for the whole business?

A $63 100 **B** $64 400 **C** $67 000 **D** $70 900

28 What is a limitation of marginal costing?

A Contribution per unit varies with output.

B Inventory valuations vary more than under-absorption costing.

C It can cause over or under recovery of overheads.

D The division of costs into fixed and variable is difficult.

29 A company has the following budgeted information for May.

	$
selling price per unit	120
variable costs per unit	80
total fixed costs	56 000

The company is planning to buy a new machine which will reduce the variable costs by 20% and increase the fixed costs by 20%.

What is the change in break-even sales volume?

A decrease by 200 units

B increase by 200 units

C decrease by 700 units

D increase by 700 units

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30 Why is cost–volume–profit analysis useful for management?

A It gives a more accurate value for inventory.

B It helps with long-term decision making.

C It makes it easier to identify which costs are fixed.

D It shows the effect on profit when certain changes occur.

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