Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

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

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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[Turn over

1 Which book of prime entry is used to record the sale of a non-current asset on credit?

A cash book

B general journal

C sales journal

D sales returns journal

2 An item is found to be the subject of a material error in a company's financial statements.

What does 'material' mean?

A The item affects **only** the statement of profit or loss of the company.

B The item affects **only** the statement of financial position of the company.

C The item has a small monetary value.

D The item may affect the economic decisions of a user of the financial statements.

3 Which accounting concepts are applied when a business makes an annual charge for depreciation of non-current assets?

1 consistency

2 matching / accruals

3 prudence

4 realisation

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

4 A business recorded expenditure on improving a non-current asset as revenue expenditure.

What is the effect of this error on the carrying value of non-current assets and profit for the year?

	carrying value of non-current assets	profit for the year
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

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5 A car dealer and garage owner has the following vehicles at her premises.

1 breakdown truck for recovering customers' vehicles

2 new cars in the showroom

3 service department car for loan to customers

4 used cars in the showroom

Which should be classified as non-current assets?

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

6 The table shows details of a freehold property.

	$
historical cost	80 000
depreciation	25 000

The property is to be shown in the statement of financial position at its current valuation of $100 000.

Which entries are to be made in the ledger accounts?

	account to be debited	$	account to be credited	$
A	non-current asset	20 000	statement of profit or loss	20 000
B	non-current asset provision for depreciation	20 000 25 000	revaluation reserve	45 000
C	non-current asset	45 000	statement of profit or loss provision for depreciation	20 000 25 000
D	non-current asset	20 000	revaluation reserve	20 000

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7 The following information relates to the motor vehicles of a business.

	1 January 2021 $	31 December 2021 $
carrying value	398 000	480 000

During the year 2021 the following occurred.

1 Additional motor vehicles costing $195 000 were purchased.

2 A motor vehicle (original cost $80 000) was sold for $24 000 at a profit of $2000.

What was the depreciation charge for 2021?

A $87 000 **B** $89 000 **C** $91 000 **D** $113 000

8 Janet paid Samir after purchasing goods from him on credit. Samir made an error of reversal when recording the cash discount.

What was the double entry made by Samir in error in his books of account?

	debit entry	credit entry
A	discount allowed	Janet
B	discount received	Janet
C	Janet	discount allowed
D	Janet	discount received

9 There were two errors in Bernie's books of account.

1 The sales journal had been undercast by $200.

2 A payment for insurance of $120 was correctly entered in the cash book but recorded in the insurance account as $102.

What was the opening balance in the suspense account?

A $182 on the credit side

B $182 on the debit side

C $218 on the credit side

D $218 on the debit side

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10 The bank column of a business cash book showed a debit balance of $25 000.

The following information was then discovered.

	$
direct debit payments **not** recorded in the cash book	6500
payments for sales made directly into the bank by customers but **not** recorded in the cash book	5500
bank charges **not** recorded in the cash book	1500
payment made by the business but **not** yet shown in the bank statement	4500

What was the correct balance in the cash book?

A $18 000 **B** $19 500 **C** $22 500 **D** $27 500

11 Henry received a credit note from a supplier. He treated this in error as an invoice received and entered it in his purchases journal.

When was the error revealed?

A when Henry compared his cash book with his bank statement

B when Henry compared his purchases ledger with statements of account received

C when Henry prepared a purchases ledger control account

D when Henry prepared a trial balance

12 At the end of the year, the balance on a firm's sales ledger control account was $12 900. The total of the customers' accounts in the sales ledger was $11 900.

The following errors were then discovered.

1 A customer's account had been undercast by $700.

2 A contra with a supplier in the purchases ledger of $200 had only been entered in the sales ledger control account.

3 The discount allowed column in the cash book totalled $500. This had **not** been posted to the nominal ledger.

What was the correct balance on the sales ledger control account?

A $11 200 **B** $11 400 **C** $12 000 **D** $12 400

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13 A book-keeper makes the following adjustments to ledger accounts before making transfers to the statement of profit or loss for the period.

1 The insurance expense account is debited for a prepaid amount.

2 The account for rent received is debited for an amount received in advance.

3 The allowance for irrecoverable debts account is debited for the reduction in the allowance.

4 The provision for depreciation on machinery account is debited for the annual depreciation charge.

Which entries are correct?

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

14 At the end of a financial year, the following took place in a business:

1 Trade receivables with a value of $10 000 were written off as irrecoverable.

2 A bank loan of $20 000 was received.

What was the effect of the two transactions on the net assets of the business?

A $10 000 decrease

B $20 000 decrease

C $10 000 increase

D $20 000 increase

15 A trader started business on 1 January with capital of $120 000.

At the end of the financial year on 31 December, the balance on the capital account was $150 000 after entering the profit for the year of $70 000 and an amount for drawings.

During the year, the trader had introduced a motor vehicle which had previously been for private use. This had cost $30 000 but was valued at $20 000 when it was brought into the business.

The trader had also introduced a further $25 000 in cash.

What was the drawings figure for the year?

A $40 000 **B** $60 000 **C** $85 000 **D** £95 000

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16 Annie and Benny were in partnership. They maintained both capital and current accounts.

On 1 January Annie's capital was $20 000. On 1 April she transferred her private motor vehicle to the business at a valuation of $12 000. On 1 July she took goods with a cost price of $2000 for personal use.

Interest on capital was calculated at the rate of 10% per annum.

What was Annie's interest on capital for the year ended 31 December?

A $2800 **B** $2900 **C** $3000 **D** $3200

17 X and Y are in partnership. The following information is available at the end of the year.

	X $	Y $	total $
interest on loan	–	2 000	2 000
interest on drawings	600	750	1 350
interest on capital	12 000	10 800	22 800
share of profit	36 330	24 220	60 550

What is the profit for the year before appropriation?

A $80 000 **B** $82 000 **C** $84 000 **D** $84 700

18 Which of these are revenue reserves?

1 general reserve
2 retained earnings
3 revaluation reserve
4 share premium account

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

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19 A company made a bonus issue of ordinary shares.

Where would this appear in the financial statements?

A statement of changes in equity and statement of financial position

B statement of financial position only

C statement of profit or loss and statement of changes in equity

D statement of profit or loss and statement of financial position

20 A company provided the following information for the financial year ended 31 December.

	1 January $	31 December $
ordinary share capital ($1 shares)	500 000	600 000
share premium	50 000	–
general reserve	–	25 000
retained earnings	240 000	280 000

During the year a bonus issue of one ordinary share for every five ordinary shares was made.

It is the company's policy to keep its reserves in the most flexible form.

A dividend of $0.15 per share was paid during the year on all ordinary shares held on 1 January.

What was the profit for the year?

A $115 000 **B** $140 000 **C** $165 000 **D** $190 000

21 The draft financial statements of a business showed values for trade receivables, inventory, trade payables and bank overdraft.

Which events would cause the acid test ratio to decrease?

1 recording a payment to a trade payable

2 creating an allowance for irrecoverable debts

3 writing off some obsolete inventory

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

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22 The following information is available about Chi's business.

	$
opening inventory	18 000
closing inventory	26 000
cost of sales	442 000

When calculating his rate of inventory turnover, Chi used closing inventory in error.

What was the effect of this error on the rate of inventory turnover?

A 3.09 times too high

B 3.09 times too low

C 7.55 times too high

D 7.55 times too low

23 Which statement is **not** an advantage of just in time (JIT) inventory management?

A reduction of investment in inventory

B reduction of purchase cost of inventory

C reduction of storage space

D reduction of waste

24 An employee works a standard 40-hour week. In that time he is expected to make 200 complete units.

He is paid a bonus of $10 for every hour saved in production.

For week 25 he worked 44 hours and produced 250 units.

How much was his bonus payment for week 25?

A $30 **B** $40 **C** $50 **D** $60

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[Turn over

25 Which statements about a job costing system are correct?

1 Costs of production are averaged across all jobs.

2 Costs are charged individually to each job.

3 Jobs are **not** produced to customers' own specifications.

4 Jobs are produced to customers' own specifications.

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

26 A bakery produces 1000 muffins a day. The total direct costs for these are shown.

	$
direct materials	1800
direct wages	600

An oven must be set up for each batch of 50 muffins. The cost for each oven set-up is $40. Production overheads are 20% of direct wages.

The bakery requires a profit margin of 25%.

What is the selling price of one muffin?

A $3.41 **B** $4.15 **C** $4.43 **D** $6.03

27 A business provided the following budgeted information.

Production and sales were forecast to be 5000 units.

	$
selling price per unit	80
variable cost per unit	
direct materials (2 kg)	10
direct labour (5 hours)	35

Fixed overheads of $75 000 are to be absorbed on the basis of direct labour hours.

What is the budgeted profit per unit?

A $20.00 **B** $28.00 **C** $32.00 **D** $35.00

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28 Which statement about the break-even point is correct?

A total contribution equals total fixed costs

B total contribution equals total profit

C total contribution plus total fixed costs equals the expected profit

D total contribution will identify the margin of safety

29 A company makes 500 units and sells these units at $50 each. The direct materials cost $7500, direct labour costs $2500 and fixed overheads are $8400.

How much profit will be made if the company increases the number of units made and sold to 600 without changing the selling price?

A $7920 **B** $9600 **C** $10 100 **D** $11 600

30 A company is considering reducing the selling price of its product by $1 per unit.

Why might it use cost–volume–profit analysis in making this decision?

A to ascertain whether an increase in production is possible

B to calculate the expected increase in demand

C to compare with competitors' selling prices

D to estimate the increase in units sold needed to maintain the target profit

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