Cambridge Assessment International Education

Cambridge O Level

ACCOUNTING **7707/11**

Paper 1 Multiple Choice **May/June 2022**

1 hour 15 minutes

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-five** 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 35.
- 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 task would be carried out by a book-keeper?

A comparison of financial statements between years

B preparation of financial statements

C provision of information for decision-making

D recording financial transactions

2 What is the accounting equation?

A assets = capital – liabilities

B assets = liabilities – capital

C assets – liabilities = capital

D assets + capital = liabilities

3 Sarah sold goods on credit to Zafar.

How was this recorded in Sarah's ledgers?

	general ledger		sales ledger	
A	credit	sales account	debit	Zafar account
B	debit	sales account	credit	Zafar account
C	credit	Zafar account	debit	sales account
D	debit	Zafar account	credit	sales account

4 Omar sent a credit note to Miriam for goods returned.

How would Miriam record this transaction?

	account to be debited	account to be credited
A	purchases returns	Omar
B	sales returns	Miriam
C	Omar	purchases returns
D	Miriam	sales returns

5 The discount column on the debit side of a trader's cash book totalled $1300 and the discount column on the credit side totalled $700.

How much discount did the trader receive?

A $600 **B** $700 **C** $1300 **D** $2000

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6 Kai bought office equipment from Meena and paid immediately by bank transfer.

How should Kai record this in his accounting records?

	account to be debited	account to be credited
A	bank	Meena
B	bank	office equipment
C	Meena	bank
D	office equipment	bank

7 Jabari maintains a petty cash book using the imprest system. The imprest is restored at the end of each month.

Which amount restores the imprest at the end of a month?

A the amount left in petty cash less the total of vouchers received

B the amount left in petty cash plus the total of vouchers received

C the imprest amount less the total of vouchers received

D the total of vouchers received

8 Which statement about a trial balance is correct?

A It assists in locating arithmetical errors in the book-keeping records.

B It is proof that the entries in the ledger accounts are free from error.

C It reveals all book-keeping errors.

D It shows ledger account errors only.

9 What is an example of a compensating error?

A A payment for office equipment repairs was debited to the office equipment account.

B A purchase of goods from C Jones was credited to the account of C Johns.

C The sale of goods, $65, to A Aziz was entered in the books as $56.

D The wages account was undercast by $100 and the rent account was overcast by $100.

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10 After the preparation of Abdul's draft financial statements, two errors were discovered.

The purchase of a machine by bank transfer, $5000, was omitted from the accounts.

The purchase of a motor vehicle, $15 000, was entered in the motor vehicle repair account.

What effect will **correcting** these errors have on the non-current assets and the working capital?

	non-current assets	working capital
	$	$
A	increase 15 000	decrease 5000
B	increase 15 000	no effect
C	increase 20 000	decrease 5000
D	increase 20 000	no effect

11 Raj had a debit balance of $10 800 in the bank column of his cash book. He discovered that purchases, $890, paid by cheque, had been recorded as $980.

The following appeared in the bank statement but had not been entered in the cash book.

	$
bank charges	76
interest received	120

What was the debit balance in the bank column of Raj's cash book after adjusting for these items?

A $10 514 **B** $10 666 **C** $10 754 **D** $10 934

12 Why is a sales ledger control account usually prepared by a different member of staff than the person who maintains the sales ledger?

A to deter fraud

B to locate errors

C to provide an instant total of trade receivables

D to speed production of financial statements

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13 Tamal provided the following information for March, his first month of trading.

	$
credit purchases	9100
credit purchases returned	322
total payments to credit suppliers	5358

During the month, Tamal overpaid a supplier by $94. He did not make any further purchases from this supplier in March.

What were the balances on Tamal's purchases ledger control account on 1 April?

	debit balance $	credit balance $
A	0	3420
B	0	3514
C	94	3420
D	94	3514

14 The following payments were made by John when he purchased a machine.

	$
purchase of machine	10 000
delivery charge	1 200
insurance	800
installation charge	900
pre-paid maintenance charge	400

How much should have been debited to the machinery account?

A $10 900 **B** $11 200 **C** $12 100 **D** $12 500

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15 On 1 January, Zac entered the cost of repairing equipment, $420, in the equipment account.

On 31 December, depreciation of 20% per annum, using the straight-line method, was charged on the balance of the equipment account.

What was the overall effect on the book value of the equipment on 31 December?

A $84 understated

B $336 overstated

C $420 overstated

D $504 understated

16 Atif depreciates his motor vehicles at a rate of 20% per annum using the reducing balance method.

On 1 May 2021, Atif owned motor vehicles which cost $35 000. At that date, the motor vehicles had been depreciated by $12 600.

What was the balance on Atif's provision for depreciation account on 1 May 2022?

A $17 080 **B** $17 920 **C** $19 600 **D** $22 400

17 The financial year of Yeung ends on 31 March. On 1 April 2021, he purchased a machine for $4000.

He estimated that it would have a useful working life of 3 years and a residual value of $100. Yeung uses the straight-line method of depreciation.

The machine was sold on 1 April 2022 for $1500.

What was the loss on disposal?

A $1100 **B** $1200 **C** $2400 **D** $2500

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18 On 1 April 2021, commission receivable, $210, was outstanding. Commission received during the year ended 31 March 2022 amounted to $4850.

Which journal entry should have been made at the end of the financial year on 31 March 2022?

		debit $	credit $
A	commission receivable	4640	
	income statement		4640
B	commission receivable	5060	
	income statement		5060
C	income statement	4640	
	commission receivable		4640
D	income statement	5060	
	commission receivable		5060

19 Which statement about a debts recovered account is correct?

A The account is used when an amount, previously written off, is received from a customer.

B The account is used when doubtful debts are recovered.

C The balance of the account is debited to the income statement at the end of the year.

D The balance of the account is shown in the statement of financial position.

20 Nula's financial year ends on 31 December. She maintains a provision for doubtful debts of 5% of trade receivables.

On 1 January 2021, the provision amounted to $800. On 31 December 2021, trade receivables owed $13 400, of which $600 was regarded as irrecoverable.

How much was the provision for doubtful debts on 1 January 2022?

A $600 **B** $640 **C** $660 **D** $670

21 When preparing his financial statements, a trader valued his inventory at cost.

He then found that 10 units of inventory, costing $12 per unit, were damaged. If he spent $2 per unit on repairs, he could sell them for $9 each.

What was the **effect** on the income statement of the incorrect inventory valuation?

	gross profit	profit for the year
A	overstated $30	no effect
B	overstated $50	overstated $50
C	understated $30	no effect
D	understated $50	understated $50

22 At the end of his financial year, Marek was owed $200 for interest on a loan he had made to an employee. He recorded this in his financial statements.

How did the interest on this loan affect Marek's profit for the year and where was it recorded in his statement of financial position?

	profit for the year	statement of financial position
A	decreased	current assets
B	decreased	current liabilities
C	increased	current assets
D	increased	current liabilities

23 What is the purpose of preparing a partnership appropriation account?

A to calculate the interest to be charged on the drawings made by each partner

B to calculate the interest to be paid on the capital invested by each partner

C to show the amount of salary to which each partner is entitled

D to show the division of the profit or loss for the year between the partners

24 Raj and Seema are in partnership sharing profits and losses 2 : 1.

Raj withdrew $5000 during the year and was charged interest at 3%. Seema did not make any withdrawals during the year.

The profit for the year was $30 000.

How much was credited to Raj's current account at the end of the year?

A $19 850 **B** $19 900 **C** $20 000 **D** $20 100

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25 A limited company raised funds from an issue of debentures.

Which statement is correct?

A The debentures are part of the equity of the company.

B The debenture holders cannot vote at the annual general meeting.

C The debenture holders are repaid only if the company is wound up.

D The debenture interest is paid only if the company earns a profit.

26 A limited company provided the following information.

	$
total equity on 1 January 2021	500 000
ordinary share dividend paid 30 June 2021	25 000
transfer to general reserve on 31 December 2021	12 000
total equity on 31 December 2021	558 000

What was the profit for the year?

A $46 000 **B** $58 000 **C** $83 000 **D** $95 000

27 Which group contains only items included in the prime cost of a manufacturer?

A direct expenses, depreciation of factory machinery, royalties

B direct wages, factory supervisor's wages, factory insurance

C factory overheads, raw materials, direct expenses

D raw materials, royalties, direct labour

28 The work in progress of ZT Manufacturers on 1 January was valued at $6200. At the end of the year it was valued at $5400.

What was the effect on the cost of production for the year?

A decrease $800

B decrease $11 600

C increase $800

D increase $11 600

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29 A trader does not keep full accounting records but was able to provide the following information.

	$
capital at 1 January 2021	26 000
capital at 31 December 2021	37 000
drawings made during year	6 500

During the year, $9500 was withdrawn from the owner's private bank account to purchase a motor vehicle to be used by the business.

What was the profit for the year?

A $8000 **B** $11 000 **C** $14 000 **D** $17 500

30 A business provided the following information.

opening inventory	$6800
closing inventory	$6000
rate of inventory turnover	5 times

What were the purchases for the year?

A $29 200 **B** $31 200 **C** $32 000 **D** $32 800

31 Jerry started his business on 1 January 2022 with no opening inventory. On 19 April 2022, a fire destroyed all his inventory.

Jerry provided the following information for the period 1 January 2022 to 19 April 2022.

revenue	$30 200
purchases	$25 600
gross margin	25%

What was the value of inventory destroyed on 19 April 2022?

A $1800 **B** $2950 **C** $3450 **D** $5750

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32 A trader provided the following information.

	$
profit for the year	24 000
working capital	20 000
capital	120 000
non-current liability	30 000

What was the return on capital employed?

A 14.12% **B** 16.00% **C** 17.14% **D** 20.00%

33 Which actions could a clothing retailer take to improve his rate of inventory turnover?

1 increase the selling prices of all clothing

2 offer discounts on last year's designs

3 pay clothing suppliers as quickly as possible

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

34 A trader is considering selling goods on credit to a new customer.

What could be calculated from the customer's financial statements to indicate the time normally taken to pay for goods purchased on credit?

A current ratio

B liquid (acid test) ratio

C trade payables turnover

D trade receivables turnover

35 Which accounting policy requires that the information in financial statements is free from significant errors and bias?

A comparability

B consistency

C reliability

D understandability

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