Cambridge Assessment International Education

Cambridge O Level

ACCOUNTING **7707/11**

Paper 1 Multiple Choice **May/June 2023**

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 Why does the accountant of a business analyse its financial statements?

A to provide information for the customers

B to provide information for the government

C to provide information for the managers

D to provide information for the suppliers

2 Padma started a business on 1 April 2022 with $30 000 of her own money. On 31 March 2023, her assets and liabilities were as shown.

	$
machinery at net book value	38 000
other assets	15 000
long-term loan from bank	16 500

What was Padma's capital on 31 March 2023?

A $30 000 **B** $36 500 **C** $46 500 **D** $53 000

3 A trader credited the income statement and debited his capital account.

What does this double entry record?

A capital introduced

B drawings

C loss for the year

D profit for the year

4 Ted, a manufacturer, purchased a machine on credit from T Limited.

How did Ted record this?

	account debited	account credited
A	T Limited	machinery
B	T Limited	purchases
C	machinery	T Limited
D	purchases	T Limited

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5 The following account appeared in the books of Abdul.

Hanif account

2023		$	2023		$
Jan 18	returns	100	Jan 1	balance b/d	400
31	bank	392	4	purchases	250
	discount	8			
	balance c/d	150			
		650			650

Which statement is correct?

A On 1 January, Abdul owed Hanif $400.

B On 4 January, Hanif purchased goods, $250, from Abdul.

C On 31 January, Abdul allowed Hanif $8 trade discount.

D On 31 January, Hanif owed Abdul $150.

6 Which items are shown on a statement of account?

A bank charges

B credit notes

C debit notes

D trade discounts

7 A trader issues an invoice for goods sold on credit. The full price of the goods is $2500.

The trader allows a trade discount of 15%, and offers a cash discount of 4% for prompt payment.

Which amount is recorded in the sales journal?

A $2025 **B** $2040 **C** $2125 **D** $2500

8 A trader prepared a trial balance at 31 December.

Which statement about this trial balance is correct?

A It shows a summary of the financial position at 31 December.

B It shows the ledger account balances at 31 December.

C It shows the profit for the year ended 31 December.

D It shows the transactions for the year to 31 December.

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9 After completing the trial balance, it was found that an amount of $4000 for motor vehicle repairs had been entered in the motor vehicle account.

Which type of error is this?

A commission

B compensating

C omission

D principle

10 At the end of his financial year, Zane opened a suspense account.

Why was it necessary to open this account?

A the suspense account had been omitted from the ledger

B the trial balance totals did not agree

C to correct an error of commission

D to make sure no errors were made in the ledger

11 Jack has opened a suspense account. He has found that rent paid of $250 has been correctly entered in the rent account but credited to the bank account as $520.

Which entries will correct this error?

	debit	$	credit	$
A	bank account	270	suspense account	270
B	bank account	520	suspense account	520
C	suspense account	270	bank account	270
D	suspense account	520	bank account	520

12 Naila provided the following information at 31 August.

	$
debit balance in cash book at 31 August	449
uncredited deposits	424
unpresented cheques	175
interest charged in error by the bank	10

What was the credit balance on the bank statement at 31 August?

A $190 **B** $210 **C** $688 **D** $708

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13 Which statement about a sales ledger control account is **not** correct?

A It assists in the location of errors.

B It helps to deter fraud.

C It prevents debts becoming irrecoverable.

D It provides a quick total of trade receivables.

14 The following partly completed account appeared in Candy's ledger.

Purchases ledger control account

		$			$
Dec 31	bank	42 000	Dec 1	balance b / d	720
	discount received	600	31	purchases	48 000

The following entries still need to be made in the account.

Interest of $15 was charged by credit suppliers for overdue payments.

Balances owing in the purchases ledger totalling $450 were set off against balances in the sales ledger.

What will be the closing balance on the purchases ledger control account after these entries are made?

A $5655 **B** $5685 **C** $6555 **D** $6585

15 A trader's expenditure during the year includes the following amounts.

	$
redecoration of premises	5 000
insurance of motor vehicles	2 000
purchase of machinery	10 000

How much should the trader charge to her income statement for the year?

A $7000 **B** $10 000 **C** $12 000 **D** $17 000

16 Which statement about depreciation is correct?

A It is a cash fund to replace a non-current asset.

B It is a monetary expense as it involves the outflow of money.

C It is an estimate of the loss in value of a current asset over its expected life.

D It is recorded in the nominal ledger and the income statement.

17 Rashid provided the following balances at 31 December.

	$
machinery at cost	52 000
provision for depreciation of machinery	23 000

Depreciation for the year was calculated at 20% on cost and is included in the balance for the provision.

After the balances had been extracted, it was found that machinery repairs costing $2000 had been debited in error to the machinery account.

What is the correct balance on the provision for the depreciation of machinery account?

A $21 000 **B** $22 600 **C** $23 400 **D** $25 000

18 Annual rental income due from Kumar, a tenant, is $3600. At the start of the year, Kumar had prepaid rent of $900. At the end of the year, he owed two months' rent.

How much rent was received from Kumar during the year?

A $2100 **B** $3300 **C** $3900 **D** $5100

19 At the end of the financial year, Gina had the following items of clothing in her inventory.

100 t-shirts: cost price per unit $15, selling price per unit $30

200 dresses: cost price per unit $40, selling price per unit $30

What was the value of Gina's inventory?

A $7500 **B** $9000 **C** $9500 **D** $11 000

20 Which error causes the gross profit to be overstated?

A closing inventory under-valued

B opening inventory omitted from the income statement

C purchases recorded before deduction of trade discount

D sales invoices omitted from the sales journal

21 Which group consists of **only** intangible assets?

A bank balance, brand names, goodwill

B bank balance, trademarks, trade receivables

C brand names, goodwill, trademarks

D goodwill, trademarks, trade receivables

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22 At the end of the financial year, Karim decided to increase his provision for doubtful debts.

How will this affect his income statement and the statement of financial position?

	income statement	statement of financial position
A	decrease expenses	increase current assets
B	decrease expenses	increase current liabilities
C	increase expenses	decrease current assets
D	increase expenses	decrease current liabilities

23 What is included in an appropriation account of a partnership?

1 annual salary to which each partner is entitled

2 drawings made by each partner during the year

3 the closing balance on each partner's capital account

4 the division of residual profit between the partners

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

24 X and Y are in partnership with capital of $50 000 and $30 000 respectively.

The partnership agreement provides that profits are to be shared in proportion to capital invested and each partner is entitled to 10% interest on capital.

Profit for the year was $37 000.

What was the total amount credited to Y's current account at the end of the year?

A $10 875 **B** $13 875 **C** $18 125 **D** $23 125

25 What is an advantage of being a member of a limited company?

A Loan capital is easy to obtain.

B Dividends must be paid to the member.

C Financial statements are prepared quickly.

D The company is a separate legal entity.

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26 A limited company provided the following information.

	$
issued share capital (50 000 ordinary shares of $1 each)	50 000
profit for the year ended 31 December 2022	13 000
transfer to general reserve during the year	6 000
interim ordinary share dividend paid during the year	3 000

On 31 December 2022, it was decided to use the remaining profit to pay a final ordinary share dividend.

Which percentage final dividend would the ordinary shareholders receive?

A 8% **B** 14% **C** 20% **D** 26%

27 P Limited maintains a provision for doubtful debts account. On 1 April 2022, this account had a balance of $6200.

The provision should have been increased to $7400 on 31 March 2023, but this adjustment was not made.

What was the effect of this error on the retained earnings in the statement of financial position on 31 March 2023?

A overstated $1200

B overstated $7400

C understated $1200

D understated $7400

28 What is included in the income and expenditure account of a tennis club?

A all amounts received and paid during the year

B all capital and revenue expenditure incurred during the year

C the closing balances on the accumulated fund

D the profit for the year from the club's shop

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29 Tim started a manufacturing business on 1 January. He provided the following information about his first year in business.

	$
closing inventory of finished goods	2 060
closing work in progress	1 840
factory overheads	15 530
prime cost	70 570

What was Tim's cost of production?

A $82 200 **B** $84 260 **C** $86 100 **D** $87 940

30 Hassan's capital decreased by $200 over the year, even though he made a profit of $7000.

Which transactions caused this?

	capital introduced $	drawings $
A	1000	8200
B	1200	6000
C	2000	8800
D	2200	4600

31 A trader provided the following information.

credit sales	$36 000
cash sales	10% of total sales
net profit margin	30%

How much is the net profit?

A $9720 **B** $10 800 **C** $11 880 **D** $12 000

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32 The table shows the gross margin and profit margin for four businesses.

Which business controls its overheads most efficiently?

	gross margin %	profit margin %
A	40	17
B	37	15
C	35	14
D	30	12

33 Ramiz works as a sales manager in a car showroom. He is paid on the basis of the number of cars sold.

Which accounting ratio will be relevant to Ramiz?

A gross margin

B profit margin

C rate of inventory turnover

D trade receivables turnover

34 Manvinder started a business and paid a cheque for $1000 into a business bank account. He recorded this in the books of the business by debiting the bank account and crediting the capital account.

Which accounting principles did he apply?

A business entity and duality

B business entity and going concern

C going concern and matching

D matching and duality

35 A trader always records assets and expenses in his ledger at the price he paid for them.

Which accounting principle is he applying?

A business entity

B historic cost

C prudence

D realisation

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