Cambridge Assessment International Education

Cambridge O Level

ACCOUNTING **7707/12**

Paper 1 Multiple Choice **October/November 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.

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[Turn over

1 Which actions are examples of book-keeping?

1 entering details of a cheque received from a customer in the cash book

2 entering details of goods purchased on credit in the purchases journal

3 producing an income statement to calculate the profit for the year

4 recording details of credit sales in the account of a credit customer

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

2 A trader supplied the following information at her year end.

	$
non-current assets	4000
inventory	350
trade receivables	180
cash at bank	650 debit
trade payables	280

What was the trader's capital?

A $4900 **B** $5100 **C** $5180 **D** $5460

3 A trader, Karim, purchases a new vehicle by cheque. He will use the vehicle to deliver goods to his customers.

How should Karim record this transaction in his books?

	account to be debited	account to be credited
A	bank	motor vehicles
B	bank	purchases
C	motor vehicles	bank
D	purchases	bank

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4 The following ledger account was in Meena's sales ledger.

		$			$
Jan 1	balance b/d	100	Jan 15	bank	100
Jan 31	balance c/d	20	Jan 30	sales returns	20
		120			120
			Feb 1	balance b/d	20

Which statement about the balance on 1 February in Meena's books of account is correct?

A It is an asset.

B It is an expense.

C It is a liability.

D It is revenue.

5 Which document would a supplier issue to a credit customer if the credit customer had returned goods or had been overcharged?

A cheque

B credit note

C debit note

D invoice

6 Andy was a regular customer of Khalid. He bought goods with a list price of $1000 and later paid $760 in full settlement after receiving a discount for prompt payment of 5%.

How much trade discount did Andy receive?

A $40 **B** $190 **C** $200 **D** $278

7 The totals of a trial balance agree.

What does this mean?

A All the arithmetic in the ledger is correct.

B All transactions have been entered in the correct ledger accounts.

C All transactions have been entered on the correct sides of the ledger.

D Total debit balances equal total credit balances in the ledger.

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8 A cheque received from Joe was credited to Joanna's account.

Which type of error was made?

A commission

B compensating

C original entry

D principle

9 A trader's journal shows the following entry.

details	debit $	credit $
John	300	
Jane		300
correction of error		

Both John and Jane are credit customers of the trader.

Which error is the journal entry correcting?

A Goods bought from Jane were wrongly credited to John.

B Goods bought from John were wrongly credited to Jane.

C Goods sold to Jane were wrongly debited to John.

D Goods sold to John were wrongly debited to Jane.

10 A trial balance does not balance and a suspense account is opened. It is found that a sale of $250 was credited in the sales account as $2500.

Which entry will correct this error?

	account to be debited	$	account to be credited	$
A	sales	250	suspense	250
B	sales	2250	suspense	2250
C	suspense	2250	sales	2250
D	suspense	2500	sales	2500

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11 A cheque received from D Pawson, a trade receivable, was correctly debited to the bank account but was credited to the account of P Dawson, a trade payable.

What was the effect of **correcting** this error?

	trade receivables	trade payables
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

12 The balance of the bank column in a trader's cash book was $520 debit.

The trader later discovered that the following items did not appear on his bank statement.

cheque not yet presented $80

cheque not yet credited $470

What was the balance on the trader's bank statement?

A $130 credit **B** $130 debit **C** $910 credit **D** $910 debit

13 Why does a trader prepare a sales ledger control account?

A to determine when interest should be charged on overdue accounts

B to identify irrecoverable debts that should be written off

C to locate incorrect postings in the sales ledger

D to obtain totals to enter in the books of prime entry

14 When preparing a sales ledger control account, what is the source of information for amounts received from credit customers?

A bank statements

B cash book

C sales ledger accounts

D statements of account

15 Plant and machinery, $2000, was incorrectly posted to the credit side of the purchases account.

The draft profit for the year was $63 000.

Ignore depreciation.

What was the revised profit for the year **after** the correction of the error?

A $59 000 **B** $61 000 **C** $65 000 **D** $67 000

16 Why are non-current assets depreciated?

1 to avoid overstating the value of non-current assets

2 to charge the cost of an asset as an expense over its lifetime

3 to comply with the accounting principle of historic cost

4 to match capital expenditure against the income it has helped earn

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

17 On 1 January, Raheem purchased equipment costing $850.

It was estimated to have a working life of 5 years and a scrap value of $50.

The asset was depreciated using the straight-line method.

At the end of 3 years, the machine was sold for $100.

What was the profit or loss on disposal?

A $240 loss

B $270 loss

C $50 profit

D $220 profit

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18 Imran maintains a provision for doubtful debts of 5% of the trade receivables at the end of each financial year.

The balance on his provision for doubtful debts account on 1 January 2022 was $700.

Trade receivables on 31 December 2022 owed $2000 more than they owed on 31 December 2021.

How did the change in the provision for doubtful debts affect the profit for the year ended 31 December 2022?

A $100 decrease

B $100 increase

C $800 decrease

D $800 increase

19 Ariadne prepares her financial statements to 31 December each year. She valued all her inventory at cost on 31 December 2021, even though some inventory with a cost of $500 had a net realisable value of $350.

What was the effect of this error?

A Gross profit for the year 2021 was overstated.

B Total assets at 31 December 2021 were understated.

C Profit for the year 2022 was overstated.

D Capital at 31 December 2022 was understated.

20 A trader has capital of $24 400. His non-current assets are $16 100 and his current liabilities are $4500. There are no non-current liabilities.

What is the amount of his current assets?

A $8300 **B** $11 600 **C** $12 800 **D** $28 900

21 At 1 January 2022, there was a credit balance of $800 on the electricity account. Payments made during the year totalled $4900. At 31 December 2022, a further $1800 of electricity had been used since the last invoice was paid.

What is the charge to the income statement for electricity for the year 2022?

A $2300 **B** $5900 **C** $6700 **D** $7500

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22 Josh and Karen are in a partnership sharing profits and losses 3 : 2. Interest on capital is allowed at 5%. Salary payable to Josh is $10 000 per annum.

The residual profit after deduction of salary and interest on capital was $20 000. The capital account balances at the start of the year were: Josh $60 000 and Karen $40 000.

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

A $12 000 **B** $15 000 **C** $22 000 **D** $25 000

23 A partner is charged interest on the drawings he made during a financial year.

How is this recorded in the partner's accounts?

A credit the partner's capital account

B credit the partner's current account

C debit the partner's capital account

D debit the partner's current account

24 Which organisation is the **most** difficult to establish and has to comply with many legal formalities?

A partnership

B sole trader

C limited liability company

D club or society

25 Z Limited has the following types of equity and liabilities.

1 debentures

2 general reserves

3 long-term bank loan

4 ordinary share capital

5 preference share capital (non-redeemable)

6 retained earnings

What is included in the company's shareholders' equity?

A 1, 2, 4 and 5

B 1, 3, 4 and 5

C 2, 3, 4 and 6

D 2, 4, 5 and 6

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26 A sports club operates a shop selling running shoes to members. These shoes are purchased on credit terms from suppliers.

Which item is recorded in the receipts and payments account?

A inventory of shoes

B payments to suppliers

C purchases of shoes

D shop profit or loss

27 Which cost is a direct factory cost?

A carriage outwards

B depreciation of factory machinery

C factory supervisors' wages

D manufacturing royalties

28 A manufacturing business provided the following information.

	$
closing work in progress	840
factory overheads	20 945
opening work in progress	910
prime cost	40 750

What was the factory cost of production?

A $19 735 **B** $19 875 **C** $61 625 **D** $61 765

29 Elaine is starting a business.

She wants to make sure she doesn't miss out on any cash discount which is offered to her.

Which action would help her achieve this?

A issuing her invoices promptly

B maintaining full accounting records of dealings with suppliers

C making purchases in bulk

D undertaking credit checks on all prospective customers

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30 Ahmed provided the following information.

	$
trade receivables at 1 January 2022	15 000
for the year ended 31 December 2022:	
credit sales	85 000
cash sales	12 000
cheques received from trade receivables	65 000
irrecoverable debts	2 000

By how much had the trade receivables **increased** by the end of the financial year?

A $18 000 **B** $30 000 **C** $33 000 **D** $45 000

31 A business provided the following information.

revenue	$20 000
gross margin	25%
profit margin	10%

There was no other income.

How much were expenses?

A $2000 **B** $2250 **C** $3000 **D** $5000

32 A business has the following assets and liabilities.

	$
inventory	2000
trade receivables	4000
trade payables	1100
bank overdraft	3100

The owner plans to pay some of his own funds into the business bank account to increase the current ratio to 2 : 1.

How much does he need to pay into the business bank account to achieve this?

A $900 **B** $1200 **C** $1900 **D** $2200

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33 Lynne provided the following information about her trading business.

	$
for the year ended 31 August 2023	
revenue: cash sales	250 000
credit sales	230 000
at 31 August 2023	
trade receivables	19 530
other receivables	2 100

What was Lynne's trade receivables turnover?

A 15 days **B** 17 days **C** 31 days **D** 35 days

34 A trader values his inventory on the same basis at the end of each financial year.

Which accounting principle is the trader observing?

A consistency

B duality

C matching

D realisation

35 Jack is a shareholder in a company. He received the company's financial statements.

Why did he find the financial statements relevant?

A He was confident that they did not contain errors.

B The financial information was clearly presented.

C The same depreciation methods had been used as in previous years.

D They confirmed his expectations about the future of the company.

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