



# Cambridge International AS & A Level

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## ACCOUNTING

9706/11

Paper 1 Multiple Choice

October/November 2022

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)

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## 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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This document has **12** pages. Any blank pages are indicated.



1 For which items does the cash book act as a book of prime entry?

- 1 payments to suppliers
- 2 purchase of a non-current asset on credit
- 3 receipts from customers
- 4 returns outwards

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

2 Which statements about the reducing balance method of depreciation are correct?

- 1 The annual percentage depreciation rate changes each year.
- 2 The annual depreciation charge remains the same each year.
- 3 The annual percentage depreciation rate remains the same each year.
- 4 The annual depreciation charge falls each year.

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

3 On 1 April 2021 a business purchased a machine for \$120 000 with an estimated residual value of \$12 000.

On 1 July 2022 the machine was sold for \$100 000.

Machinery is depreciated at the rate of 20% per annum using the straight-line method. Depreciation is calculated for each month of ownership.

Which entry should be made in the provision for depreciation of machinery account for the disposal of the machine?

- A** \$21 600 credit
- B** \$21 600 debit
- C** \$27 000 credit
- D** \$27 000 debit

4 Sue purchased a new machine. She depreciated it at a rate of 40% per annum using the reducing balance method. After two years its net book value was \$3600.

What was the purchase price of the machine?

**A** \$7056      **B** \$9216      **C** \$10 000      **D** \$22 500

5 Which items will be included in the sales ledger control account?

- 1 amounts owed by credit customers at the end of the previous month
- 2 provision for doubtful debts
- 3 total of the invoices sent out to credit customers
- 4 total of the sales returns journal

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

6 Which error would affect the balancing of a trial balance?

- A** A payment for rent of \$250 had been debited in the bank account. It had been entered correctly in the rent account.
- B** A purchase invoice for \$259 was entered in the purchases journal as \$295.
- C** A sales invoice for \$180 was lost before it could be entered in the sales journal.
- D** A sales return of \$500 was debited in the customer's account and credited to the purchases returns account.

7 The balance on a purchases ledger control account at 1 March was \$71 300.

During the month ended 31 March, the following transactions took place.

	\$
payments to trade payables by cheque	133 200
credit purchases	149 000
purchases returns	3 000
cash purchases	2 000
contra with sales ledger	1 600

What was the trade payables balance at 31 March?

**A** \$80 500      **B** \$82 500      **C** \$83 700      **D** \$85 700

8 Which statements about accruals and prepayments are correct?

- 1 Accrued revenue at the end of an accounting period is recorded as a current asset.
- 2 Accrued revenue at the end of an accounting period is recorded as a current liability.
- 3 Prepaid expenses at the end of an accounting period are recorded as a current asset.
- 4 Prepaid expenses at the end of an accounting period are recorded as a current liability.

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

- 9 A business has a bank overdraft of \$4800.

It pays for materials invoiced, \$3000, less a trade discount of 20% and a settlement discount of 5%.

A cheque for \$500 is received from a credit customer.

What is the bank balance after these transactions?

- A** \$2020 overdraft  
**B** \$6580 overdraft  
**C** \$7150 overdraft  
**D** \$7580 overdraft
- 10 How are closing inventory and loss for the year treated in the financial statements of a sole trader?

	closing inventory	loss for the year
<b>A</b>	asset in statement of financial position credit in income statement	debit in capital account credit in income statement
<b>B</b>	asset in statement of financial position credit in income statement	debit in income statement credit in capital account
<b>C</b>	debit in income statement liability in statement of financial position	debit in capital account credit in income statement
<b>D</b>	debit in income statement liability in statement of financial position	debit in income statement credit in capital account

11 A trader had the following closing trade receivables.

year	\$
1	64 000
2	80 000
3	90 000

He usually provides for doubtful debts at the rate of 5%. At the end of year 2 he forgot to adjust the provision.

What was the effect on profit in **year 3** of forgetting to adjust the provision in year 2?

- A \$800 decrease
- B \$800 increase
- C \$1300 decrease
- D \$1300 increase

12 The following information is available for the year ended 31 December 2021.

	\$
revenue	1 400 000
inventory as at 1 January 2021	140 000
inventory as at 31 December 2021	148 000

The trader uses a mark-up of 60% on all purchases.

What was the value of purchases for the year?

- A \$848 000
- B \$867 000
- C \$875 000
- D \$883 000

13 The following information is available for a business for the year ended 31 March 2022.

	\$
non-current assets at cost at 1 April 2021	62 000
provision for depreciation on non-current assets at 1 April 2021	12 000
expenses paid by cash and cheques during the year	42 200
expenses prepaid at 31 March 2022	4 600
trade receivables at 31 March 2022	25 000

A provision for doubtful debts is to be created at 2% of trade receivables.

Depreciation on non-current assets is to be provided at 20% using the reducing balance method.

What was the total of expenses for the year?

- A** \$47 600      **B** \$48 100      **C** \$50 500      **D** \$57 300

14 X and Y are in partnership but do not have a partnership agreement. X had introduced twice as much capital as Y and made a loan to the partnership.

X insists he is entitled to the following:

- 1 interest on the extra capital he has invested
- 2 interest on the loan he has made to the partnership
- 3 a profit share of double that of Y
- 4 not to pay interest on his drawings.

What is X entitled to?

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

15 L, M and N share profits equally. N is retiring and net assets at net book value of \$27 000 are revalued at \$36 000.

Goodwill is valued at \$18 000 but will not be recorded in the books of account.

After N retires, L and M will share profits in the ratio 3 : 2.

What will be the change to L's capital account?

- A** \$1800 decrease  
**B** \$1800 increase  
**C** \$7800 decrease  
**D** \$7800 increase

16 Dele and Iyabo are partners and share profits in the ratio of 3 : 1.

Their profit for the year is \$80 000.

The following information is available.

	Dele \$	Iyabo \$
interest on capital	3000	2500
interest on drawings	500	1000

How will the residual profit be shared?

	Dele \$	Iyabo \$
<b>A</b>	57 000	19 000
<b>B</b>	57 500	18 500
<b>C</b>	62 500	21 500
<b>D</b>	63 000	21 000

17 W Limited made a loss for the year. The directors wish to increase the balance on the retained earnings account.

How can they do this?

- 1 increase dividends paid
- 2 issue new ordinary shares at a premium
- 3 make a transfer from general reserve

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

- 18 The following items were taken from the financial statements of a limited company during a period.

	\$
increase in trade receivables	6 000
increase in trade payables	4 000
loan repaid	10 000

What was the effect of these items on the net cash inflow or outflow for the period?

- A \$8000 outflow  
 B \$12 000 inflow  
 C \$12 000 outflow  
 D \$20 000 outflow
- 19 The following information is available for a limited company.

At 1 April 2021 the balance of the retained earnings account was \$858 000.

for the year ended 31 March 2022	\$
profit from operations	978 000
debenture interest paid for the year	100 000
ordinary share dividends paid	150 000

On 31 March 2022 the directors transferred \$280 000 to a general reserve. They also issued 250 000 bonus shares of \$1 each using the general reserve.

What was the balance of the retained earnings account at 31 March 2022?

- A \$1 056 000    B \$1 306 000    C \$1 406 000    D \$1 586 000
- 20 What does return on capital employed measure for a business?
- A efficiency to generate profit from its total assets  
 B efficiency to generate profit from its total liabilities  
 C efficiency to generate profit from its non-current assets  
 D efficiency to generate profit from its shareholders' equity and non-current liabilities



21 The following information was available for a business at the end of a financial year.

	\$
sales	300 000
opening inventory	33 000
closing inventory	27 000

The business applies a mark-up of 20% on all goods purchased.

What was the inventory turnover in days?

- A** 40                      **B** 44                      **C** 45                      **D** 46

22 A business employs machine operators. Each machine operator works 36 hours a week.

One unit of output takes four hours of labour.

It also employs supervisors who can each supervise ten machine operators.

Production is currently 1140 units a week.

How many **more** units can be produced each week before the company needs to employ an extra supervisor?

- A** 3                      **B** 30                      **C** 75                      **D** 90

23 What best describes a fixed cost?

- A** a part that stays the same and a part that changes as output increases  
**B** the same cost per unit for any level of output  
**C** the same total cost for any level of output  
**D** the same total cost for output within a relevant range

24 What would result in the under-absorption of overheads?

	expenditure	units produced
<b>A</b>	actual is less than budgeted	actual is less than budgeted
<b>B</b>	actual is less than budgeted	actual is more than budgeted
<b>C</b>	actual is more than budgeted	actual is less than budgeted
<b>D</b>	actual is more than budgeted	actual is more than budgeted

25 A company has received an order to supply 3000 pairs of safety glasses.

The costs of production are shown.

	\$
raw materials	975
packaging for 50 pairs	4.20
direct labour at \$8.00 per direct labour hour	800
order setting up costs	100
overhead absorption rate per direct labour hour	6.25

What is the cost of manufacturing this order?

- A** \$2552      **B** \$2652      **C** \$2710      **D** \$2752

26 How is break-even point in units calculated?

- A** fixed costs ÷ contribution per unit  
**B** fixed costs ÷ selling price per unit  
**C** fixed costs ÷ variable cost per unit  
**D** (sales – fixed costs) ÷ contribution per unit

27 A company manufactures and sells a single product. The following information is available about a unit of the product.

	\$
selling price	105
direct materials	45
direct labour	30

The supplier of direct materials has agreed to increase the trade discount from 10% to 20%.

What is the new contribution per unit?

- A** \$25.00      **B** \$25.50      **C** \$34.50      **D** \$35.00

28 The fixed costs of a business increase. All other revenues and costs remain unchanged.

What happens if output is unchanged?

	contribution per unit	break-even point per unit	margin of safety per unit
<b>A</b>	decreases	decreases	decreases
<b>B</b>	increases	no change	increases
<b>C</b>	no change	increases	decreases
<b>D</b>	no change	increases	increases

29 A business manufactures three types of products which all use the same material. The following information is available.

	X \$	Y \$	Z \$
selling price	160	190	240
direct material	56	68	90
direct labour	35	32	50
variable overhead	<u>28</u>	<u>34</u>	<u>45</u>
contribution	<u>41</u>	<u>56</u>	<u>55</u>

Direct material is in short supply.

In which order should the products be manufactured to maximise profits?

- A** X → Y → Z
- B** Y → X → Z
- C** Y → Z → X
- D** Z → Y → X

30 Which statements about a budgetary control system are correct?

- 1 It can encourage departmental rivalry.
- 2 It will always improve staff motivation.
- 3 It will always lead to improved business performance.
- 4 It will define areas of responsibility of personnel.

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

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