Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **February/March 2025**

1 hour

You must answer on the multiple choice answer sheet.

4280102598

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.

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

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1 Which statement explains the realisation concept?

A A business recognises sales revenue when it delivers the goods to a credit customer.

B A business recognises sales revenue when it receives an order from a credit customer.

C A business recognises sales revenue when it receives cash from a credit customer.

D A business recognises sales revenue when the customer sells the goods onwards.

2 On the first day of a financial period, before trading started, a business owner introduced her personal items to the business, consisting of goods costing $5000.

Which entries should have been made to record this?

	account debited	account credited
A	drawings	purchases
B	inventory	capital
C	inventory	drawings
D	purchases	capital

3 Why might a business adopt a computerised accounting system?

1 to ensure that the accounting records are free from error

2 to ensure that the accounting records are free from fraud

3 to ensure that the accounting records are arithmetically accurate

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

4 A company's profit for the year is $20 000. Capital income of $5000 has been treated as revenue income. Capital expenditure of $4000 has been treated as revenue expenditure.

What is the correct profit for the year?

A $11 000 **B** $19 000 **C** $21 000 **D** $29 000

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5 The following costs for a business relate to a newly purchased machine.

1 alterations to the factory building to install the machine

2 payment of insurance for the new machine

3 the final purchase price of the machine agreed with the supplier

4 the price of the machine before the discount from the supplier

Which costs would be treated as capital expenditure?

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

6 Leandro has owned a delivery van for some years and has depreciated it each year.

How should he record the provision for depreciation?

	in the general journal	in the statement of financial position	in the statement of profit or loss
A	accumulated depreciation	accumulated depreciation	charge for the year
B	accumulated depreciation	charge for the year	accumulated depreciation
C	charge for the year	accumulated depreciation	charge for the year
D	charge for the year	charge for the year	accumulated depreciation

7 A business depreciates its motor vehicles at 20% per annum using the straight-line method. Depreciation is charged on a month-by-month basis.

On 30 June in the current financial year, a new van was purchased at a cost of $20 000. An old van which cost $18 000, bought at the beginning of the previous year on 1 January, was part exchanged for $14 000. The balance was paid by cheque.

What is the total reduction in profit for the current financial year ended 31 December as a result of this?

A $2400 **B** $3400 **C** $3800 **D** $5200

8 Which error will **not** affect the trial balance?

A posting of $3000 purchases to the debit of the motor vehicle account

B posting of $3000 purchases to the credit of the motor vehicle account

C posting of $3000 road tax refund to the debit of the motor vehicle account

D posting of $3000 sales to the debit of the motor vehicle account

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9 The totals of the trial balance of a business did **not** agree. A suspense account was opened for the difference.

The following errors were then discovered.

1 The total of the sales journal of $16 000 had been posted to the debit of the purchases account.

2 $7000 had been correctly entered in the rent received account but had been debited as $700 in the cash book.

After correcting these errors, the suspense account was eliminated and the trial balance totals agreed.

Which amount appeared for the suspense account in the trial balance before the corrections were made?

A $9700 credit

B $22 300 credit

C $25 700 credit

D $38 300 credit

10 A bookkeeper compared the business bank statement with the cash book. He then updated the cash book and finally prepared a bank reconciliation statement.

Why was the bank reconciliation statement prepared?

A to ensure no transactions had been omitted from the cash book

B to establish the value of unpresented cheques

C to explain the difference between the cash book balance and the bank statement balance

D to find out if any cheques had been dishonoured

11 Which statement is **not** correct about the benefit to a business of maintaining control accounts?

A ensures that all types of errors can be detected

B helps in the preparation of financial statements

C provides immediate totals of trade receivables and trade payables

D reduces risk of fraud as jobs are performed by different staff members

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12 A business maintains control accounts as part of the double entry. At the end of a financial period, the sales ledger control account balance of $64 200 did **not** agree with the total of the individual sales ledger balances of the business.

The following errors were discovered.

1 An irrecoverable debt of $800, entered in the sales ledger control account, was omitted from the trade receivable account.

2 Discounts allowed of $950 were entered in the sales ledger accounts but were entered as $590 in the cash book.

3 A contra of $4100 between accounts in the sales and purchases ledgers was reversed in the control accounts.

There were no further errors.

What was the total of the trade receivables at the end of the period after adjustments?

A $54 840 **B** $55 640 **C** $56 360 **D** $59 740

13 Which items will be included when valuing inventory?

1 carriage inwards

2 costs of storage

3 purchase price

4 selling costs

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

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14 The following financial information is available.

	$
opening inventory	800
closing inventory	1 010
purchases	9 260
carriage inwards	130
revenue	18 000
discount received	700
other expenses	3 880

What are the values of gross profit and profit for the year?

	gross profit $	profit for the year $
A	8820	4240
B	8820	5640
C	9080	5900
D	9520	5640

15 X, Y and Z are in partnership.

What would be shown in the partnership appropriation account?

1 goods taken for personal use of X

2 interest on a loan made by Y

3 interest on drawings made by Z

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

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16 Bella and Charlie are in partnership, sharing profits and losses in the ratio 3 : 2. They have contributed capital in the same ratio.

The partners provided the following information for the financial year.

	Bella $	Charlie $
interest on drawings	850	550
salary	16 900	–
profit share	6 000	4 000

Profit for the year was $28 000.

What is the interest on capital for Bella?

A $660 **B** $1100 **C** $1500 **D** $2500

17 A company uses a revenue reserve to make a bonus issue of ordinary shares.

Which accounts should be debited and credited to record this?

	account debited	account credited
A	general reserve	share capital
B	share capital	general reserve
C	share capital	retained earnings
D	share premium	share capital

18 A company had an issued share capital of 400 000 ordinary shares of $1 each. It then made a bonus issue of one ordinary share for every five ordinary shares held. This was later followed by a rights issue of one ordinary share for every three ordinary shares held.

What was the balance on the share capital account after these transactions?

A $480 000 **B** $533 333 **C** $613 333 **D** $640 000

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19 A company's statement of financial position included the following details.

	$
bank (debit balance)	300 000
ordinary share capital	1 000 000
share premium	200 000
revaluation reserve	100 000
general reserve	100 000
retained earnings	400 000

What is the maximum total dividend that the directors can propose?

A $300 000 **B** $400 000 **C** $500 000 **D** $700 000

20 Sunil was reviewing the statement of financial position of a business. The statement of profit or loss was **not** available.

Why was Sunil interested in the current assets of the business?

A to assess its future prospects

B to be able to calculate efficiency ratios

C to discover if it is profitable

D to see if it is able to pay debts as they fall due

21 What is **not** a limitation of accounting information?

A it can be compared with other years

B it ignores non-financial factors

C it ignores seasonality of trading

D it is based on historic data

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22 The accounting year of a company ends on 31 December.

At the end of Year 1, the company was financed by equity of $850 000 and there were no long-term borrowings.

At the beginning of Year 2, a 6% debenture of $150 000 was issued.

Profit for the year for Year 2 was $58 000 and dividends of $20 000 were paid.

What was the return on capital employed for Year 2?

A 5.59% **B** 6.33% **C** 6.45% **D** 7.55%

23 On 1 March, a business had an inventory of 3 items which had cost $8 each.

The business uses the FIFO method of valuing inventory.

During March the following transactions occurred.

		purchases	issues
March	10	16 units at $7 each	
	18	14 units at $6 each	
	27		24 units at $10 each

What was the value of inventory at the end of March?

A $36 **B** $42 **C** $54 **D** $63

24 A factory produces 1100 units per day. Daily machinery set-up costs are $2000.

Direct material cost per unit is $3.

Machine operators are paid $400 per day. Each can produce a maximum of 200 units per day.

What is the average cost per unit?

A $5.00 **B** $5.18 **C** $6.82 **D** $7.00

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25 A business uses absorption costing.

Which costs will be charged to production?

A direct materials, direct labour, variable overheads and fixed overheads

B direct materials, direct labour and fixed overheads only

C direct materials, direct labour and variable overheads only

D direct materials and direct labour only

26 The following data applies to a business.

budgeted direct labour hours	20 000
budgeted overheads	$300 000
actual direct labour hours	19 000
under-absorption of overheads	$35 000

What were the actual overheads for the period?

A $250 000 **B** $265 000 **C** $320 000 **D** $335 000

27 A business prepared its statement of profit or loss for its first year of trading. It used marginal costing to value the inventory.

The finance director wants to prepare the statement, using absorption costing.

What will be the effect on inventory valuation and profit for the year due to this change?

	effect on inventory valuation	effect on profit for the year
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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28 The following information was provided about a product.

selling price per unit	$50
variable cost per unit	$26
total fixed costs	$10 000
demand	1800 units

If the selling price increases, only demand changes.

When the selling price increased by $4, profit fell by $1200.

What was the decrease in demand?

A 214 units

B 300 units

C 571 units

D 657 units

29 A manufacturing business provided the following information.

	per unit $
selling price	80
variable production costs	44
variable selling costs	6
fixed production costs	12
fixed selling costs	10

What was the contribution to sales ratio?

A 10% **B** 22.5% **C** 37.5% **D** 45%

30 Which assumptions are true about cost–volume–profit analysis?

1 costs are classified into fixed, semi-variable and variable

2 selling price per unit remains constant

3 total fixed costs remain constant

4 volume is the only factor affecting variable costs

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

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