Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **May/June 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)

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 statements are correct?

1 A book of prime entry is also part of the double entry system.

2 All sales made by the business are included in the sales ledger.

3 Ledger accounts for income and liabilities have credit balances.

4 Trade discounts appear in the income statement.

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

2 Which accounting concepts are **not** reasons for including depreciation in the income statement?

1 matching

2 materiality

3 prudence

4 realisation

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

3 On 1 January 2019, a non-current asset was purchased at a cost of $290 000. Delivery and installation costs of $10 000 were also paid.

The reducing balance method is used to depreciate the asset at a rate of 20% per annum. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

On 31 December 2021, the non-current asset was sold for $205 000. Disposal costs of $5000 were also paid.

What was the profit on disposal?

A $8000 **B** $13 000 **C** $14 400 **D** $46 400

4 A sole trader purchased a machine costing $30 000 with an estimated residual value of $5000. It was expected to have a useful life of five years.

At the end of the fourth year, the machine was sold at a profit of $200.

Depreciation is charged using the straight-line method. A full year's depreciation is charged for each year the asset is owned.

What was the amount of sale proceeds?

A $5200 **B** $6200 **C** $10 200 **D** $15 200

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5 Which statement about control accounts is **not** correct?

A Only cash book entries need to be checked to identify errors.

B They help to identify where errors have been made.

C They make the totals of trade receivables and trade payables more easy to obtain.

D They reduce the possibility of fraud.

6 At the end of a financial period, the trial balance of a business did **not** agree and a suspense account was opened.

The following was then discovered.

1 A cheque for $7800 was correctly entered in the customer's account but had been debited in the bank account as $7000.

2 A credit purchase of $2500 had been omitted from the books of account.

3 Discounts received of $9600 had been entered on the debit side of discounts allowed account.

4 The sales account had been overcast by $18 200.

After adjusting these items, the suspense account was cleared.

What was the opening balance of the suspense account?

A $200 credit

B $2700 credit

C $9400 debit

D $19 000 debit

7 Which statements about a bank reconciliation are correct?

1 Cleared cheques are excluded.

2 It locates all errors.

3 It locates any fraud.

4 Uncredited deposits are included.

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

8 At the beginning of the financial year, inventory was valued at $15 000. During the year, sales of $21 000 and purchases of $18 000 were made. Unfortunately, all inventory was stolen on the last day of the financial year.

Goods are marked up by 50% to calculate selling price.

What is the cost of the stolen inventory?

A $7500 **B** $11 000 **C** $19 000 **D** $22 500

9 What will be used to calculate the general provision for doubtful debts?

A total trade receivables only

B total trade receivables less irrecoverable debts only

C total trade receivables less provision for specific doubtful debts only

D total trade receivables less irrecoverable debts and provision for specific doubtful debts

10 At 31 December 2021, a business had calculated the draft profit for the year of $57 500.

It was then discovered that the following adjustments were necessary.

1 Inventory valued at $2400 was damaged and now had a resale value of $1660.

2 Rent receivable included $400 prepaid for 2022.

3 The provision for doubtful debts needed to be increased by $890.

What is the correct profit for the year?

A $55 470 **B** $56 270 **C** $58 050 **D** $58 730

11 Closing inventory has been undervalued.

What is the effect on the financial statements?

	total current assets	profit for the year
A	no effect	understated
B	overstated	overstated
C	understated	no effect
D	understated	understated

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12 A sole trader has provided the following information.

	$
net assets at 1 January 2021	10 000
net assets at 31 December 2021	24 000
during the year ended 31 December 2021	
drawings for the year	3 200
cash introduced by owner	6 000
motor vehicle introduced by owner	2 500

What was the trader's profit for the year ended 31 December 2021?

A $8000 **B** $8700 **C** $14 700 **D** $19 300

13 What will apply to a partnership where there is **no** partnership agreement?

A Partners are entitled to interest on the capital they have contributed to the partnership.

B Partners are not charged interest on their drawings.

C Partners are entitled to salaries.

D Partners are not entitled to interest on loans they make to the partnership.

14 X and Y were in partnership sharing profits and losses equally.

On 1 January, P was admitted into the partnership. He contributed $20 000 cash and $10 000 other assets.

The non-current assets were revalued upwards by $12 000 on this date.

There was no adjustment for goodwill.

Profits and losses continued to be shared equally.

What was the balance on P's capital account after all relevant entries had been made?

A $20 000 **B** $26 000 **C** $30 000 **D** $34 000

15 Daisy, Freddie and Harry, who shared profits equally, had been in partnership for some years. Harry decided to retire.

Harry's capital and current accounts had credit balances of $40 000 and $8000 respectively.

The total assets of the partnership had a book value of $98 000 but a realisable value of $116 000. There was no adjustment for goodwill.

Which amount did Harry receive from the partnership on his retirement?

A $38 000 **B** $42 000 **C** $48 000 **D** $54 000

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16 A company made a bonus issue of one ordinary share for every five ordinary shares held.

What is the effect on share capital and reserves and net assets?

	share capital and reserves	net assets
A	increase	increase
B	increase	no change
C	no change	increase
D	no change	no change

17 At the end of its first year of trading, a company provided the following information.

	paid during the year $	at the year end $
dividends	3 000	5 800 proposed
debenture interest	4 000	1 600 accrued
directors' salaries	10 800	nil

By how much do these items reduce the profit for the year?

A $13 200 **B** $14 400 **C** $16 400 **D** $19 400

18 M Limited has the following balances at 1 January 2021.

	$
ordinary share capital 500 000 shares of $0.50 each	250 000
share premium	10 000
general reserve	40 000
retained earnings	50 000

During the year ended 31 December 2021:

1 an interim dividend of $0.02 per share was paid

2 there was a transfer of $20 000 to the general reserve.

For the year ended 31 December 2021, the company made a profit for the year of $80 000.

What is the maximum **additional** dividend payable per ordinary share for the year ended 31 December 2021?

A $0.20 **B** $0.22 **C** $0.32 **D** $0.34

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19 Which ratios are efficiency ratios?

1 expenses to revenue ratio

2 inventory turnover

3 non-current asset turnover

4 return on capital employed

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

20 The following information is available for a limited company.

closing inventory	$30 000
increase in inventory from the start of the year	50%
rate of inventory turnover	8 times
gross profit for the year	$200 000

What was the company's sales revenue for the year?

A $360 000 **B** $400 000 **C** $440 000 **D** $600 000

21 Which item is a direct cost?

A carriage inwards on production materials

B cleaning materials for the factory

C factory rent

D wages of the factory manager

22 A business pays its employees $2 for each unit of X they assemble and $3.20 for each unit of Y. Monthly output is 1800 units of X and 1000 units of Y. The factory supervisor is paid $1000 per month.

What is the direct labour cost per month?

A $6800 **B** $7760 **C** $7800 **D** $8760

23 An employee works a 35-hour week and is paid an hourly rate of $24.

In addition to basic pay she receives a bonus of 25% of her hourly rate. This is calculated using time saved against the target units produced. Each unit should take 15 minutes to produce.

For a 35-hour week she produced 170 units. Of these, 2 units were rejected and her total pay was reduced by $2.50 per unit.

What were her wages for the week?

A $840 **B** $880 **C** $885 **D** $890

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24 A manufacturing business uses direct labour hours to calculate its overhead absorption rate.

What are the causes for over-absorption of overhead?

1 More labour hours have been used than budgeted.

2 More products have been produced than budgeted.

3 More products have been sold than budgeted.

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

25 The following information is provided by a company for a month.

actual direct labour hours worked	4500
budgeted direct labour hours	5000
budgeted overhead expenditure	$80 000
overheads under-absorbed	$12 000

What is the amount of the actual overhead expenditure?

A $60 000 **B** $68 000 **C** $72 000 **D** $84 000

26 What is the contribution to sales ratio used to calculate?

A break-even point

B overhead absorption rate

C profit for the period

D value of inventory

27 The following information relates to the first year of operation of a business.

production (units)	5000
sales (units)	4000
unit selling price	$10
variable production costs per unit	$4
selling expense per unit	$1
total fixed manufacturing overhead	$13 000

What is the value of gross profit if the business uses absorption costing to value its inventory?

A $7000 **B** $11 000 **C** $13 600 **D** $20 000

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28 A company makes and sells a single product type which has a selling price of $20 per unit.

Variable costs are $8 per unit.

Total fixed costs are $7000.

The company wishes to achieve a target profit of $20 000.

How many units should be produced and sold to achieve the target profit?

A 1000 **B** 1350 **C** 1667 **D** 2250

29 Last year a company sold 2000 units and made a contribution of $50 per unit. After deducting total fixed costs, profit was $60 000.

This year:

sales volume increased by 10%

contribution per unit decreased by 5%

total fixed costs increased by 25%.

What was the company's profit this year?

A $45 000 **B** $54 500 **C** $60 000 **D** $64 500

30 Which statement does **not** apply to budgeting?

A Budgets are plans that guide management to achieve strategic objectives.

B Budgeted outcomes should be compared with actual results so that effective management action can be taken.

C Budgets should be easily achieved so that managers appear to be efficient.

D Management should communicate and coordinate budgets across all levels of management.

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