Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **May/June 2024**

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.

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1 Jamie is setting up a business.

There are three details which are important to Jamie.

1 Jamie wants to have a salary for his work in managing the business.
2 Jamie wants full ownership of the business.
3 Jamie wants to avoid the risk of losing personal assets.

Which type of business should Jamie choose?

A sole trader
B partnership
C private limited company
D public limited company

2 The owner of a business paid for business stationery using her personal funds.

Which ledger account will be credited?

A capital
B cash
C drawings
D stationery

3 Why does a business charge depreciation?

1 to be able to replace an asset at the end of its useful life
2 to charge the cost of an asset to each period that benefits from its use
3 to treat each asset according to the concept of consistency

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

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4 The following information relates to the non-current assets of a business that was formed three years ago.

	$
cost at start of year 1	10 000
accumulated depreciation at end of year 3	6 000
draft profit for year 3	18 000

In calculating the draft profit for year 3, depreciation has been consistently charged using the straight-line method.

Prior to finalising the accounts, the business decided to change the method of depreciation for year 3 to the reducing balance method at a rate of 25% per annum.

What was the revised profit for year 3?

A $16 000 **B** $17 500 **C** $18 500 **D** $19 000

5 Why does a business maintain a sales ledger control account?

A to ensure that statements are sent out promptly to customers

B to record the total of discounts received

C to reduce the risk of irrecoverable debts

D to verify the arithmetical accuracy of entries in the sales ledger

6 Iga is worried that her book-keeper may have been forgetting to record credit notes received.

What should she do to find out?

1 check purchases ledger balances against statements of account

2 extract a trial balance showing individual purchases ledger accounts

3 prepare a purchases ledger control account

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

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7 A trial balance does **not** balance and a suspense account is opened.

On investigation, the following errors are found.

1 The debit balance of $450 on the carriage outwards account has been brought down as $540.

2 The purchases returns journal has been overcast by $100.

3 A cheque for $50 received from Alan Green has been posted to the credit account of Brian Green.

4 Rent received of $350 has been posted to the debit of rent paid account.

What is the opening balance on the suspense account?

A credit $690 **B** credit $740 **C** debit $690 **D** debit $740

8 The table shows extracts from a business's bank reconciliation.

	$
balance per cash book at 31 December	2075 debit
balance per bank statement at 31 December	2250 credit
bank charges per bank statement **not** entered in cash book	150
outstanding cheques **not** presented at year end	325

What is the bank balance to be shown in the financial statements?

A $1600 **B** $1925 **C** $2075 **D** $2225

9 The total of trade payables balances in Konrad's purchases ledger was $57 400. The following errors were then discovered.

	$
discount allowed overcast in cash book	2000
returns outwards omitted in a supplier's account	350
payments to trade payables undercast in cash book	137
purchases journal overcast	500

What is the correct total of trade payables balances?

A $54 413 **B** $54 913 **C** $55 050 **D** $57 050

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10 Which statement is **not** correct?

A Control accounts reveal whether there are errors in sales and purchases ledgers.

B Credit balances in a sales ledger are trade receivables.

C Debit balances in a purchases ledger are current assets.

D A sales ledger control account includes irrecoverable debts.

11 A business maintains an allowance for irrecoverable debts of 5% of trade receivables. At the end of the current financial year, trade receivables totalled $8000 which was 20% less than the year before.

How will the profit for the current financial year be affected by the change in the allowance for irrecoverable debts?

A decrease by $100

B decrease by $400

C increase by $100

D increase by $400

12 A trader does **not** keep full records but supplies the following information.

	1 January	31 December
	$	$
bank (debit)	4240	6320
cash balance	264	271

Cheques issued during the year were $19 950.

All takings from sales were banked except that cash of $5400 was used for drawings and $7200 was paid for wages.

In addition, $3000 was paid to bank from the sale of a motor vehicle.

What was the total amount of sales during the year?

A $22 037 **B** $31 630 **C** $31 637 **D** $34 637

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13 Which statement(s) are true of drawings?

1 They are a reduction in the owner's investment.

2 They have to be less than the profit for the year.

3 They represent the salary paid to the owner.

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

14 Vikram is a partner in a business. Partners do **not** receive salaries or interest on capital, but they are charged 5% interest on the balance of their drawings account.

Vikram made drawings of $40 000 during the year and his share of profits was $47 500.

His current account showed a credit balance of $4500 after the relevant entries were made at the end of the financial year.

What was the debit balance on Vikram's current account at the beginning of the financial year?

A $1000

B $3000

C $5000

D $5500

15 A partnership operates without having a partnership agreement.

Which rules will apply to the partnership?

1 Partners will be entitled to interest on any loans made to the business at a rate of 10% per annum.

2 Partners will be entitled to interest on their capital at a rate of 5% per annum.

3 Partners will **not** be charged interest on their drawings.

4 Partners will **not** be entitled to a salary.

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

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16 L and M are in partnership, sharing profits and losses in the ratio of 3 : 2 respectively.

The following information was available at year end.

	L $	M $	
capital	200 000	150 000	interest on capital 8%
drawings	30 000	20 000	interest on drawings 5%
partners' salaries	22 000	17 000	

The residual profit shared by L was $24 000.

What was the profit for the year before appropriation?

A $48 500 **B** $88 500 **C** $104 500 **D** $109 500

17 Which statements about debenture interest are correct?

1 Interest percentage rate will always be higher than dividend per share.
2 Interest will be deducted in the statement of changes in equity.
3 Interest will be paid before ordinary shareholder dividends.
4 Interest will be paid even if the company records a loss.

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

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18 A company has the following reserves.

	$
share premium	60 000
revaluation reserve	75 000
general reserve	10 000
retained earnings	21 500

The directors wish to make a bonus issue of ordinary shares of $1 each.

What is the maximum number of bonus shares which the company could possibly issue?

A 31 500

B 91 500

C 135 000

D 166 500

19 A business provided the information shown for a period.

	$
sales revenue	1 500 000
purchases	1 000 000
inventory at end of the period	50 000

The rate of inventory turnover for the period was 12 times and the business attained a gross profit margin of 40%.

The business also made some purchases returns and incurred an amount for carriage inwards.

What was the value of inventory at the beginning of the period?

A $100 000 **B** $116 667 **C** $128 572 **D** $200 000

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20 When comparing with the previous year, a trader finds that his gross profit margin has increased and his trade receivables turnover has decreased.

Which statement would explain this?

A He bought in bulk and passed the savings on to his customers who bought more.

B He offered more trade discount and more customers paid in cash.

C He raised his selling price and offered more cash discounts.

D He reduced his selling price to increase the total value of sales.

21 B Limited had credit sales for the year of $3 285 000 and trade receivables at year end of $405 000.

The sales director believed that if cash discounts had been given, then trade receivables would have been $351 000. The allowance for irrecoverable debts would have been reduced by $9000.

What difference would the discounts have made to the trade receivables turnover?

A It would have been 5 days faster.

B It would have been 5 days slower.

C It would have been 6 days faster.

D It would have been 6 days slower.

22 A business makes wedding dresses. Each machinist is paid $30 a day and each supervisor $40 a day. Each supervisor can work with up to 10 machinists and each machinist can produce one wedding dress a day.

If 95 wedding dresses a day are produced, what is the daily labour cost?

A $2850 **B** $3210 **C** $3230 **D** $3250

23 Which statement best describes variable costs?

A costs that are the same in total up to a certain level then increase with output

B costs that are the same in total over any output level

C costs that are constant per unit as output increases

D costs that increase per unit as output increases

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24 P Limited makes wooden chairs at a unit cost of $70 each.

It has received an order to produce a batch of 1000 wooden chairs with padded seats. This requires $6000 of additional materials, an extra 500 labour hours at $15 per hour and a $2000 increase in overheads.

What is the cost of the batch?

A $13 500 **B** $15 500 **C** $83 500 **D** $85 500

25 Why would overheads be over absorbed?

A Overheads absorbed is less than overheads budgeted.

B Overheads absorbed is more than overheads budgeted.

C Overheads incurred is less than overheads absorbed.

D Overheads incurred is more than overheads absorbed.

26 A company makes one product with a selling price of $384 per unit. The costs are as follows:

	per unit
direct materials	4 kilos at $8 per kilo
direct labour	8 hours at $12 per hour
selling and distribution	$40

The mark-up is 50%.

What is the factory overhead absorption rate per labour hour?

A $3 **B** $5 **C** $11 **D** $22

27 Which statements about marginal costing are correct?

1 It enables a business to make the best use of its resources when there is a limiting factor.

2 It ensures that decisions taken are based upon the total cost of producing a product.

3 It takes into account apportionment of service costs to production cost centres.

4 It usually leads to a lower inventory valuation than absorption costing.

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

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28 A company makes and sells a single type of product. The budgeted information for 6000 units is as follows:

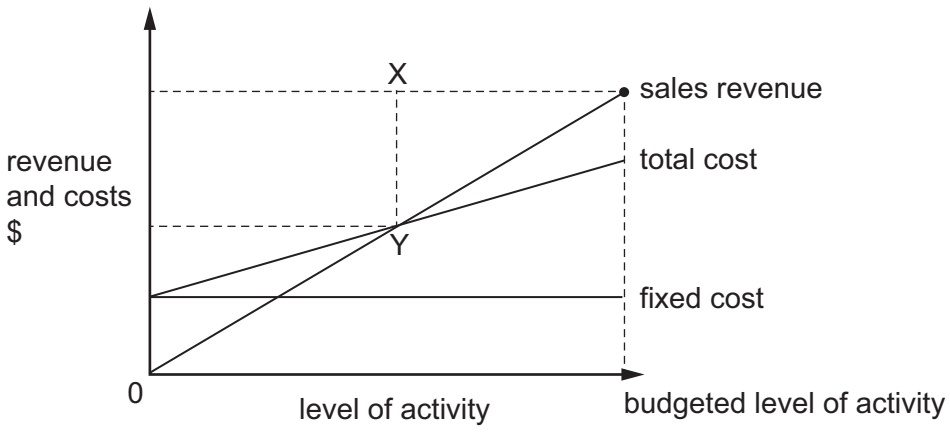
	$
variable manufacturing costs	90 000
variable selling expenses	6 000
fixed manufacturing overheads	54 000
fixed administrative overheads	21 000

The unit selling price is $40.

How many units must the company produce and sell to achieve a target profit of $45 000?

A 3960 **B** 4125 **C** 4800 **D** 5000

29 The diagram shows a break-even chart.



What does line XY represent?

A the break-even point revenue

B the margin of safety in terms of revenue

C the profit at break-even point

D the total contribution at break-even point

30 What is **not** an assumption in cost–volume–profit analysis?

A The unit fixed cost is constant.

B The unit selling price is constant.

C The unit variable cost is constant.

D The units produced are all sold.

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