Cambridge Assessment International Education

Cambridge International AS & A Level

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)

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 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

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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
A	asset in statement of financial position credit in income statement	debit in capital account credit in income statement
B	asset in statement of financial position credit in income statement	debit in income statement credit in capital account
C	debit in income statement liability in statement of financial position	debit in capital account credit in income statement
D	debit in income statement liability in statement of financial position	debit in income statement credit in capital account

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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

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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 $
A	57 000	19 000
B	57 500	18 500
C	62 500	21 500
D	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

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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
A	actual is less than budgeted	actual is less than budgeted
B	actual is less than budgeted	actual is more than budgeted
C	actual is more than budgeted	actual is less than budgeted
D	actual is more than budgeted	actual is more than budgeted

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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

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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
A	decreases	decreases	decreases
B	increases	no change	increases
C	no change	increases	decreases
D	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	28	34	45
contribution	41	56	55

Direct material is in short supply.

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

A $X \rightarrow Y \rightarrow Z$

B $Y \rightarrow X \rightarrow Z$

C $Y \rightarrow Z \rightarrow X$

D $Z \rightarrow Y \rightarrow X$

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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