Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **October/November 2024**

1 hour

You must answer on the multiple choice answer sheet.

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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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[Turn over

1 A business sells computers. When it values its inventory it excludes the value of the inventory that is more than one year old. This is because it may be obsolete.

Which accounting principle does this demonstrate?

A going concern

B historical cost

C prudence

D realisation

2 A purchases ledger clerk has to use a password to access the ledger in a computerised accounting system.

What is the purpose of the password?

1 to limit access to the purchases ledger by others

2 to prevent the clerk accidentally deleting a supplier's account

3 to stop the clerk recording a fraudulent or unauthorised invoice

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

3 Peter is a credit customer of John. He settles his account of $200. He pays by cheque and receives a cash discount of 5%.

Which entries are made in John's books of account to record this transaction?

	account to be debited	$	account to be credited	$
A	bank discount allowed	190 10	Peter	200
B	bank discount received	190 10	Peter	200
C	Peter	200	bank discount allowed	190 10
D	Peter	200	bank discount received	190 10

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4 Which item is capital income?

A bank interest received

B proceeds from sale of business premises

C rental income from property

D sale of inventory to a customer

5 The draft profit for the year of a business is $53 000.

During the year, the business acquired new premises and included the following costs in the cost of the premises.

	$
legal fees	1 500
insurance	4 500

The business does **not** charge any depreciation on premises.

What is the revised profit for the year?

A $47 000 **B** $48 500 **C** $51 500 **D** $59 000

6 Non-current assets can be depreciated using a number of methods.

How is the most appropriate method decided?

A The method chosen improves the profit for the year of the business.

B The method chosen is easily understood by the users of financial information.

C The method chosen is easy to calculate.

D The method chosen reflects the pattern of use of the non-current assets.

7 Ryan purchased a van for $16 000 on 31 December 2021. It is his policy to apply 25% per annum reducing balance depreciation for each part of the year the asset is held. Ryan traded the van in on 1 July 2024 for a $6150 reduction on the cost of a new van.

What was the profit or loss made on the disposal of the van?

A $600 loss **B** $1725 loss **C** $150 profit **D** $2150 profit

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8 The totals of the trial balance of a business did **not** agree.

The following errors were discovered.

1 The wages account had been overcast by $550.

2 The sales account had been undercast by $400.

3 A credit sale of $150 had been recorded on the sales invoice as $510.

After the appropriate corrections were made, the trial balance totals agreed.

What was the difference between the trial balance totals before the corrections were made?

A $150 **B** $510 **C** $590 **D** $950

9 In the books of a trader, discounts received of $1400 have been posted correctly in the suppliers' accounts but debited in the discounts allowed account.

What are the correcting entries?

	account to be debited	$	account to be credited	$
A	suspense	2800	discounts allowed discounts received	1400 1400
B	discounts allowed discounts received	1400 1400	suspense	2800
C	discounts received	1400	discounts allowed	1400
D	discounts allowed	1400	discounts received	1400

10 What are the advantages of preparing a bank reconciliation statement?

1 It eliminates the risk of fraud in banking transactions.

2 It helps to identify errors in bank statements.

3 It helps to identify out-of-date cheques.

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

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11 The cash book of a business showed a debit bank balance of $3900. This differed from the bank statement balance. The bank statement included bank charges of $250, a direct debit of $3280 and a credit transfer of $300. None of these amounts had been entered in the cash book.

A payment of $620 entered in the cash book had **not** yet been presented for payment.

What was the balance on the updated cash book?

A $70

B $670

C $1290

D $7130

12 Which items will be entered in the debit side of the purchases ledger control account?

1 contra with sales ledger control account

2 discount received

3 returns inwards

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

13 A company prepared a sales ledger control account. The balance did **not** agree with the total of the sales ledger balances, which were $42 650. The following errors or omissions were discovered.

1 An irrecoverable debt of $500 in the general journal has **not** been recorded in the sales ledger.

2 The sales journal has been incorrectly added and must be reduced by $750.

3 The sales ledger control account includes the discount received of $400. It should have been discount allowed, $600.

4 Sales to J Brown of $640 have **not** been entered in his account.

What was the correct total of the sales ledger balances?

A $41 700 **B** $41 840 **C** $42 510 **D** $42 790

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14 The current assets of a company include the balances on both the rent payable and rent receivable accounts.

What do these balances represent?

	rent payable	rent receivable
A	accrued	accrued
B	accrued	prepaid
C	prepaid	accrued
D	prepaid	prepaid

15 The following information is available for a sole trader.

	$
allowance for irrecoverable debts at the start of the year	1 400
total trade receivables at the end of the year	36 000

At the end of the year it was decided to write off $1000 as irrecoverable debts and maintain the allowance for irrecoverable debts at 3% of trade receivables.

What is the entry in the allowance for irrecoverable debts account?

A $320 debit

B $320 credit

C $350 debit

D $350 credit

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16 A sole trader's statement of profit or loss shows the following information.

	$
opening inventory	5000
operating expenses	3000
profit for the year	5400

Closing inventory is 10% less than opening inventory.

All goods sold are marked up by 50%.

What were the purchases for the year?

A $10 300 **B** $15 700 **C** $16 300 **D** $17 300

17 L and M are in partnership, sharing profits and losses in the ratio of 3 : 2. They have the following current account balances.

	L $	M $
31 March 2023	3 000 credit	4 500 debit
31 March 2024	14 200 credit	6 200 debit

The balances at 31 March 2024 are after taking into account the following:

	L $	M $
interest on drawings	1 000	1 500
interest on capital	3 000	2 000
drawings	10 000	15 000

What was the residual profit to be shared between L and M for the year ended 31 March 2024?

A $24 000 **B** $27 000 **C** $29 000 **D** $32 000

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18 A company issued shares at a premium.

In which financial statements would the share premium appear?

A statement of changes in equity and statement of financial position

B statement of financial position only

C statement of profit or loss and statement of financial position

D statement of profit or loss only

19 The statement of financial position of a company at 31 December showed the following:

	$
issued share capital:	
200 000 ordinary shares at $1 per share	200 000

During the following year, the company carried out the following:

1 On 1 January made a rights issue of one ordinary share for every five ordinary shares held. The share issue price was $1.50 per ordinary share and the issue was fully subscribed.

2 On 1 July made a bonus issue of one ordinary share for every four ordinary shares held at that date.

What was the amount of cash received by the company in respect of these transactions?

A $40 000 **B** $60 000 **C** $110 000 **D** $135 000

20 Which ratio measures the efficiency of a business?

A acid test

B mark-up

C non-current asset turnover

D return on capital employed

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21 A company's return on capital employed decreased to 10% in the current year from 15% in the previous year.

The directors have noted the following changes during the current year.

1 A substantial investment in non-current assets was funded by new debentures.

2 There was an increase in current liabilities.

3 The expenses to revenue ratio increased.

4 The rate of interest on the company's large overdraft increased.

Which changes could explain the decrease in the return on capital employed?

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

22 A sole trader's cost of sales is $240 000. The gross profit margin is 20%.

What are the sales for the year?

A $280 000 **B** $288 000 **C** $300 000 **D** $320 000

23 A business employs machinists to make a single type of product.

As demand increases, more machinists are employed. Every time eight extra machinists are employed, one extra supervisor is needed.

Which option best describes total labour costs?

	machinists	supervisors
A	fixed	variable
B	stepped	variable
C	variable	fixed
D	variable	stepped

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24 The inventory movements of a business in a three-month period are shown.

month	receipts		issues units
	units	cost per unit	
January	100	$5	
January	200	$6	
February			50
March			200

The business uses the first in first out (FIFO) method of inventory valuation.

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

A $250 **B** $275 **C** $283 **D** $300

25 A customer places an order for 20 000 bricks.

Which costing method will the supplier use to price the order?

A batch

B job

C marginal

D unit

26 The following budgeted and actual information is available.

	budgeted	actual
overheads	$460 000	$420 000
labour hours	28 750	21 000
machine hours	9 200	7 000

What would be the company's most suitable overheads absorption rate?

A $16 per labour hour

B $20 per labour hour

C $50 per machine hour

D $60 per machine hour

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27 The following information is available from the costing records.

budgeted overheads cost	$32 000
budgeted direct labour hours	4000
actual overheads cost incurred	$34 000
actual direct labour hours worked	3900

By how much are the overheads over-absorbed or under-absorbed?

A $2000 under-absorbed

B $2000 over-absorbed

C $2800 under-absorbed

D $2800 over-absorbed

28 Which items are included in the calculation of the contribution to sales ratio?

	fixed costs	variable costs	sales revenue	sales volume
A	✓		✓	
B	✓			✓
C		✓	✓	
D		✓		✓

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29 The financial information for selling 6000 units in August was as follows:

	$ per unit
selling price	40
variable costs	22
fixed costs	12
profit	6

The selling price was reduced by 10% in September.

Which level of sales was needed in September to achieve the same **total** profit as August?

A 5143 units

B 6600 units

C 7715 units

D 9000 units

30 Which statements correctly describe cost-volume-profit analysis?

1 It assumes a linear relationship between costs, revenue and volume.

2 It can be used in 'what if' analysis.

3 It is a useful tool in long-term decision making.

4 It shows how costs, revenue and profit change in relation to sales volume.

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

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