Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **October/November 2022**

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.

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

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1 Which items would be entered in the General Journal?

1 goods taken by owner for personal use

2 goods purchased for resale

3 purchase of a non-current asset on credit

4 purchase of office stationery

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

2 Why is it important for a trader to distinguish between capital expenditure and revenue expenditure?

1 to apply the realisation concept

2 to know which method of depreciation to use

3 to obtain a more accurate profit figure

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

3 A company purchased a new vehicle for $30 000. It part-exchanged an existing vehicle at a value of $6500, with the balance being paid by cheque.

The part-exchanged vehicle originally cost $12 000 and had a net book value of $4800 on disposal.

Which entries will be made in the accounts?

	income statement	bank account
A	$1700 income	motor vehicle at cost $23 500 credit
B	$1700 expense	motor vehicle at cost $30 000 debit
C	$5500 expense	motor vehicle at cost $23 500 debit
D	$5500 income	motor vehicle at cost $30 000 credit

4 At 31 December 2021 a business had a non-current asset with a net book value of $18 000. It had been purchased during the year ended 31 December 2020.

Depreciation is charged at a rate of 25% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase.

What was the original cost of the non-current asset?

A $22 500 **B** $24 000 **C** $27 000 **D** $32 000

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5 Which item is an error of principle?

A No record was made of inventory withdrawn by the owner for private use.

B Sales returns were credited to the returns inwards account.

C The amount shown on a purchases invoice for goods for resale was incorrectly recorded in the purchases journal.

D The cost of machinery repairs was debited to the machinery at cost account.

6 The sales ledger control account of a business had a balance of $17 640. This did not agree with the total of the individual customer accounts in the sales ledger.

The following errors have been discovered.

1 An invoice in the sales journal for $460 has been entered wrongly in the sales ledger as $640.

2 Credit balances on the sales ledger, $470, have been omitted from the sales ledger control account.

3 Discounts allowed have been incorrectly totalled as $310 instead of $325.

4 Goods sold to Harry for $690 have been entered in the account of Barry in error.

What is the correct balance on the sales ledger control account?

A $16 975 **B** $17 155 **C** $17 185 **D** $18 125

7 The totals on a trial balance were:

debit $500 150 credit $500 000

Which error could have caused the difference?

A A cash sale has only been recorded in the sales account.

B A credit purchase has only been recorded in a supplier's account.

C A credit sale has not been recorded.

D A credit sale has only been recorded in a customer's account.

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8 A draft statement of financial position for a business showed total net assets of $600 000.

The following items were then discovered.

1 A long-term loan for $10 000 had not been recorded. This was taken out on the last day of the financial year.

2 Closing inventory had been overstated by $20 000.

3 Depreciation had been understated by $15 000.

What is the correct total net assets value?

A $555 000 **B** $565 000 **C** $595 000 **D** $605 000

9 A company has produced draft financial statements for the year. It is then discovered that some inventory is damaged and the value must be reduced.

What will be the effect?

	profit for the year	current assets
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

10 A trader took out a 6% bank loan of $30 000 on 1 November 2021, to be repaid in full in 10 years' time. Interest is to be paid annually. No interest had been paid by 30 April 2022.

How should this be recorded in the statement of financial position at 30 April 2022?

	current liabilities $	non-current liabilities $
A	0	30 000
B	900	30 000
C	1 800	30 000
D	30 900	0

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11 In preparing the financial statements, an accrual for rent payable was treated as a prepayment.

What effect does this have on the profit and the current liabilities?

	profit	current liabilities
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

12 A sole trader is preparing his income statement for the year ended 31 December 2021, his first year of trading. The following information is available.

	$
takings banked	16 400
payments to trade payables	8 500
expenses for the year	2 900
balance of trade payables	1 200
balance of trade receivables	700

He took goods for his own use, $1000, during the year. There was no closing inventory.

What was his profit for the year?

A $4500 **B** $5500 **C** $7400 **D** $7900

13 The following information is available for the year ended 31 December 2021.

	$
trade payables at 1 January 2021	18 000
trade payables at 31 December 2021	14 000
discount received	6 000
payments to credit suppliers	158 000
returns outwards	3 000
contra to sales ledger control account	2 000

What were the credit purchases for the year?

A $143 000 **B** $161 000 **C** $165 000 **D** $173 000

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14 What is recorded in **both** the appropriation account and the current accounts of a partnership?

1 drawings

2 interest on drawings

3 interest on capital

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

15 R, S and T were in partnership, sharing profits equally.

T retired as a partner. At that time, the balance on his capital and current accounts totalled $320 000.

Goodwill was valued at $60 000.

The partnership assets were revalued upwards by $30 000.

T agreed to leave $90 000 in the partnership as a loan on retirement.

The balance due to him was paid from the partnership bank account.

How much was paid to T on his retirement?

A $230 000 **B** $240 000 **C** $250 000 **D** $260 000

16 Owing to an issue with Question 16, it has been removed from the question paper.

17 Where is the dividend received by a company shown in its financial statements?

A income statement only

B income statement and statement of changes in equity

C statement of changes in equity only

D statement of financial position and income statement

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18 On 1 January a company had 300 000 ordinary shares of $1 each and a 10% bank loan of $100 000. On 1 July the company issued a 6% debenture of $800 000.

The profit from operations for the year ended 31 December was $120 000.

The company paid a dividend of $0.05 per ordinary share during the year.

What was the profit for the year ended 31 December?

A $71 000 **B** $86 000 **C** $96 000 **D** $110 000

19 X Limited recorded the following information in its books of account.

1 issue of 10 000 ordinary shares of $1 each at a price of $1.80

2 payment of dividends, $6200

3 transfer to general reserve, $7500

What was the effect on total revenue reserves?

A $6200 decrease

B $6700 increase

C $8000 increase

D $13 700 decrease

20 H Limited uses ratio analysis to analyse its financial performance.

On 31 January 2021 the company prepared draft financial statements before it revalued its premises upwards.

How did this revaluation affect the company's ratios?

	non-current asset turnover	return on capital employed
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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21 A company purchases its inventory on credit. The following information is available.

	$
sales revenue	440 000
purchases	270 000
trade payables	90 000
trade receivables	110 000

What is the trade payables turnover in days?

A 75 **B** 92 **C** 122 **D** 149

22 A business has the following wages policy for its direct workers.

standard working hours per week	40
basic rate per hour	$16
overtime	basic rate + 25%
standard production per worker per week	100 units
bonus	$4 per unit in excess of standard production

Last week Ben produced 115 units and earned $860.

How many hours did Ben work last week?

A 48 **B** 50 **C** 51 **D** 53.75

23 Which statements are correct about the first in first out (FIFO) method for inventory valuation?

1 issues to production are valued at the most recent purchase prices

2 issues to production are valued at the oldest purchase prices

3 provides a higher profit during periods of inflation

4 provides a lower profit during periods of inflation

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

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24 A manufacturing business has two production departments: assembly and painting.

The following information is available.

	assembly	painting
machinery at net book value ($)	150 000	100 000
machinery repair costs ($)	14 000	6 000
machine operating hours	60 000	15 000
number of machines	30	10

The total machinery insurance cost for the year was $5000.

How much insurance should be apportioned to the assembly department?

A $3000 **B** $3500 **C** $3750 **D** $4000

25 Which statement about absorption costing is correct?

A It allocates fixed costs to a product when it is sold.

B It allocates fixed costs to a product whether it is sold or not.

C It increases the costs charged to the income statement.

D It reduces the cost of the closing inventory.

26 What is equal to total revenue at the break-even point?

A total contribution

B total fixed costs

C total variable and fixed costs

D total variable costs

27 A business manufactures and sells a single product.

It is sold for $10 per batch.

The variable cost is $4 per batch.

Fixed costs are absorbed based on a normal activity level of 5000 batches at $1 per batch.

What is the profit, using marginal costing, if the company makes and sells 6000 batches?

A $24 000 **B** $30 000 **C** $31 000 **D** $36 000

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28 A company provides the following information for a year.

	$
sales	400 000
total variable costs	240 000
total contribution	160 000
total fixed costs	100 000
profit for the year	60 000

To increase the sales volume by 20%, the company plans to reduce the selling price by 10%. Total fixed costs and variable cost per unit will remain unchanged.

By how much will profit for the year change?

A 8% increase

B 10% decrease

C 21.33% increase

D 26.67% decrease

29 A business makes and sells a single product. The budget for sales of 5000 units is as follows:

per unit	$
selling price	75.00
variable production cost	25.00
fixed production cost	18.90
variable selling expenses	5.00

The company plans to reduce the selling price to $60 per unit.

How many **extra** units will need to be sold to break even?

A 810 **B** 1050 **C** 2100 **D** 3150

30 Which statements about a budgetary control system are correct?

1 It is a long-term plan.

2 It is a short-term plan.

3 It is qualitative.

4 It is quantitative.

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

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