Cambridge International AS & A Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **February/March 2026**

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)

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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 or tape.
- 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 statement about a sole trader is **not** correct?

A Additional capital can be brought in at any time.

B Drawings are unlimited.

C Liabilities are limited to the capital introduced.

D The ability to raise finance may be limited.

2 Which sources of finance are only available to limited companies?

1 bank overdrafts

2 debentures

3 rights issues

4 secured loans

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

3 The owner of a business settled the account of a trade payable by a bank transfer of $760 after deducting a cash discount of 5%.

What correctly records the entry for the cash discount in the cash book of the business?

A discount allowed $38

B discount allowed $40

C discount received $38

D discount received $40

4 A sole trader debited an item of capital expenditure to an expense account. The financial statements for the year were then prepared.

Which statement is correct?

A The closing capital was overstated.

B The expenses for the year were understated.

C The non-current assets were overstated.

D The profit for the year was understated.

5 X Limited purchased a printer and incurred the following expenditure on 1 January.

	$
printer purchase price	40 000
2 years' supply of printer ink	3 000
3-year maintenance contract	6 000
installation	3 500

What is the amount to be recorded as capital expenditure on 1 January?

A $43 500 **B** $46 000 **C** $47 000 **D** $49 500

6 A machine bought five years ago has been fully depreciated. At the beginning of the current financial year on 1 January, the business decided that the machine can be used for an additional three years and a residual value for it has been established.

What will be the depreciation entered in the books of account for this machine for the current financial year ended 31 December?

A depreciation based on the original cost over eight years

B no entries at all

C reducing balance method based on the residual value and the remaining life

D straight-line depreciation based on the residual value and the remaining life

7 The owner of a business purchased a new motor vehicle for $28 500. He part exchanged an old vehicle and also paid $12 000 for the new vehicle. The old vehicle had originally cost $25 000 and had been depreciated by 20% per annum using the reducing balance method for two years.

What profit or loss was made on the disposal?

A loss $500

B profit $500

C loss $1500

D profit $1500

8 Which error will cause an entry in the suspense account?

A a transposition error when transferring a ledger account balance to the trial balance

B an error of commission where the wrong account is used but the type of account is correct

C an error of omission where a transaction is **not** recorded

D an error of principle where entries are made in the wrong type of account

9 The totals of a trial balance did **not** agree. The difference of $600 was recorded as a debit balance in a suspense account. The following errors have now been corrected, but a balance remained on the suspense account.

1 The overdrawn bank balance of $200 had been recorded as a debit balance in the trial balance.

2 The balance of the purchases returns account had been overstated by $50.

What was the debit balance on the suspense account **after** these errors were corrected?

A $150 **B** $450 **C** $850 **D** $950

10 What are reasons for preparing a bank reconciliation statement?

1 helps to identify any errors in the bank statement

2 helps to identify any errors in the cash book

3 helps to identify fraud

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

11 Jacqui's bank reconciliation statement was as follows:

	$
balance per cash book	(200)
unpresented cheques	450
uncredited deposits	(550)
bank error	(225)
balance per bank statement	(525)

Which amount for the bank was recorded in the current liabilities?

A $200 **B** $300 **C** $425 **D** $525

12 What would **not** appear in a sales ledger control account?

A cash sales

B discounts allowed

C irrecoverable debts

D returns inwards

13 A purchases ledger control account has a balance of $20 000. This does **not** agree with the total of the individual purchases ledger balances.

Control accounts are maintained as part of the double entry system.

The following items were discovered.

1 Returns inwards of $400 had been debited in the purchases ledger control account.

2 A contra with the sales ledger of $500 had been credited to the purchases ledger control account.

3 A purchase invoice for $1200 had been entered into the purchases ledger control account but **not** into the individual purchases ledger account.

What is the corrected purchases ledger control account balance?

A $19 000 **B** $19 400 **C** $19 900 **D** $20 200

14 A sole trader did **not** write off an irrecoverable debt.

What are the effects of this on the financial statements?

1 Allowance for irrecoverable debts would be overstated.

2 Capital would be overstated.

3 Total assets would be understated.

4 Sales would be overstated.

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

15 A business maintains an allowance for irrecoverable debts at 5% of trade receivables.

After accounting for the allowance, the draft profit for the year was $54 000. The following items had **not** yet been taken into account.

	$
irrecoverable debts	1000
irrecoverable debts recovered	2500

What was the revised profit for the year?

A $55 425 **B** $55 450 **C** $55 550 **D** $55 575

16 When preparing a statement of profit or loss, the following errors were made.

- Goods taken for own use by the owner, valued at $200, were **not** included.
- The closing inventory was overvalued by $100.

Which effect will the correction of these errors have on the draft profit for the year?

A decrease $100

B decrease $300

C increase $100

D increase $300

17 Which statement about a partnership agreement is always correct?

A Each partner is always paid interest on capital.

B Each partner must introduce the same amount of capital.

C Each partner must share profits and losses equally.

D Each partner receives a salary only if set out in the agreement.

18 Stanley and Oliver are in partnership, sharing profits and losses in the ratio of 2 : 1 respectively.

At the end of a financial period, the following information is available.

	$
profit for the year	140 000
total interest charged on drawings	1 020
total interest earned on capital	2 200

Stanley is the only partner who is entitled to a salary.

After the appropriation account for the year was prepared, Oliver's residual profit share was $36 000.

How much was Stanley's salary?

A $28 780 **B** $30 820 **C** $32 000 **D** $33 180

19 What could be used to fund a bonus issue of shares?

1 general reserve

2 retained earnings

3 share premium

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

20 A limited company's issued share capital consists of ordinary shares of $0.50 each.

The directors recently made a 1 for 2 rights issue of ordinary shares at a premium of $0.20 per share. The rights issue was fully subscribed.

The equity section of the company's statement of financial position **after** the rights issue included the following:

	$
ordinary share capital	2 400 000
share premium	450 000

What was the total amount raised by the rights issue?

A $560 000 **B** $840 000 **C** $1 120 000 **D** $1 680 000

21 Which ratio can be calculated to measure the profitability of a business?

A acid test

B rate of inventory turnover

C return on capital employed

D trade receivables turnover

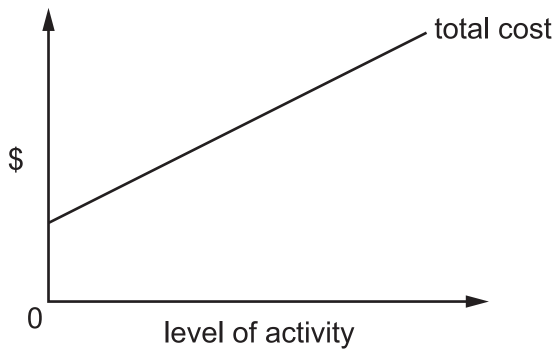
22 A business provided the following information for the year.

purchases	$160 000
decrease in inventory during the year	$20 000
gross profit margin	50%

What was the gross profit?

A $70 000 **B** $90 000 **C** $140 000 **D** $180 000

23 The diagram illustrates the total cost behaviour of a telephone invoice.



Which term best describes the behaviour of this cost?

A fixed

B semi-variable

C stepped

D variable

24 What is **not** a characteristic of job costing?

A Production identifies each cost unit separately.

B Production involves repetitive operations.

C Production is based on specific customer orders.

D Production is usually of short duration.

25 A manufacturing business makes product X.

Each unit of product X requires:

direct materials	6 kg at $25 per kg
direct labour	6 hours at $30 per hour

The factory overhead applied is $5 per direct labour hour.

The required profit margin of the business is 20%.

What is the price to be charged for one unit of product X?

A $396 **B** $412.50 **C** $432 **D** $450

26 Which costing method is **most** suitable for fixing a selling price and which is **most** suitable for deciding whether to make or buy in a product?

	fixing of selling price	decision to make or buy in a product
A	absorption costing	absorption costing
B	absorption costing	marginal costing
C	marginal costing	absorption costing
D	marginal costing	marginal costing

27 A business has the following budgeted information.

	units
opening inventory	15000
closing inventory	20000

	$
marginal cost profit	60000
absorption cost profit	80000

What is the budgeted overhead absorption rate per unit?

A $1 **B** $4 **C** $12 **D** $16

28 Which statement about a break-even chart is correct?

A At the break-even point, sales revenue equals fixed costs.

B It is a reliable tool for forecasting future performance.

C It shows costs and revenue over a defined activity range.

D The sales and variable cost lines intersect at the break-even point.

29 A company produces and sells a single type of product.

The following information is available.

	$
selling price per unit	36
variable cost per unit	22
total fixed costs	126 000

What is the sales revenue required to achieve a margin of safety of 40%?

A $216 000 **B** $315 000 **C** $324 000 **D** $540 000

30 Why is cost–volume–profit analysis used by management?

1 for planning purposes
2 for calculating over-absorbed or under-absorbed overheads
3 for determining actual profit

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

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