



Cambridge International AS & A Level

ACCOUNTING

9706/11

Paper 1 Multiple Choice

May/June 2021

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.



- 1 The skill and efficiency of the workforce of a business has increased during the financial period. The owner of the business wants to record a value for this in the financial statements. His accountant advises against this idea.

Which accounting concept is the accountant applying?

- A business entity
- B matching
- C money measurement
- D prudence

- 2 On 1 January 2020, Marek bought some machinery. He paid a total of \$50 000.

Of this, \$6000 was for maintenance of the machinery until 31 December 2022.

Marek depreciates his machinery at the rate of 10% per annum.

How was the expenditure recorded in Marek's financial statements for the year ended 31 December 2020?

	non-current assets \$	current assets \$	income statement \$
A	39 600	nil	10 400
B	39 600	4 000	6 400
C	41 600	4 000	4 400
D	45 000	nil	5 000

- 3 Which statements about depreciation are correct?

- 1 It is an application of the matching concept.
- 2 It provides funds for the replacement of a non-current asset.
- 3 It spreads the cost of a non-current asset over its useful life.

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

- 4 An item of revenue expenditure is wrongly treated as capital expenditure.

What is the effect of this error?

	non-current assets	profit for the year
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

- 5 When preparing a bank reconciliation statement, the following information is available.

	\$
bank balance shown by the cash book	20 000 debit
unpresented cheques	2 500
uncleared bankings	1 400
standing order shown on the bank statement not entered in the cash book	300

What is the balance on the bank statement?

- A** \$18 600 **B** \$19 200 **C** \$20 800 **D** \$21 400

- 6 Why does a business keep both a sales ledger control account and individual sales ledger accounts for credit customers?

- 1 to check accuracy of the sales journal
- 2 to check accuracy of the individual customer accounts
- 3 to ensure payments have been received from customers
- 4 to monitor whether customers have exceeded their credit limits

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

- 7 A businessman suspects some of his inventory has been stolen. The following information is available.

	\$
sales revenue	45 600
purchases	33 600
inventory at 1 May 2020	8 300
inventory at 30 April 2021	4 500

All goods are marked up at a rate of $33\frac{1}{3}\%$.

What was the value of inventory stolen?

- A** \$600 **B** \$3200 **C** \$4400 **D** \$7000
- 8 At the end of the year, Barack's draft accounts showed a capital account balance of \$4300.
- His drawings account included a debit entry of \$150 for goods taken for his own use.
- Barack realised that this entry had been recorded in error at selling price rather than cost price.
- He sells goods with a mark-up of 50%.
- What is the correct closing capital account balance?
- A** \$4225 **B** \$4250 **C** \$4300 **D** \$4350
- 9 The following information is available for a sole trader at 31 December 2020.

	\$
goods taken by owner for own use	1 000
inventories	
1 January 2020	10 000
31 December 2020	12 000
purchases	75 000
returns	
debit balance	3 000
credit balance	4 000

What was the cost of sales?

- A** \$68 000 **B** \$69 000 **C** \$70 000 **D** \$71 000

10 Which items **only** appear on the credit side of a partner's capital account?

- 1 goodwill in an agreed ratio split
- 2 opening balances
- 3 profit on revaluation of assets
- 4 transfers from current accounts

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

11 A sole trader has a draft profit for the year of \$47 500.

No entries have been made in respect of the following.

- 1 At the end of the year trade receivables were \$5600 more than the previous year. However, an irrecoverable debt of \$360 had not been written off. The trader maintains a provision of doubtful debts of 5%.
- 2 A machine had been sold for \$4000. It had a net book value of \$3500.

What will be the correct profit for the year?

A \$46 360 **B** \$47 378 **C** \$47 902 **D** \$47 920

12 A sole trader had trade receivables of \$21 650 at the start of the year.

During the year there were irrecoverable debts of \$450 written off.

Cash received from customers was \$42 670.

At the year end, the statement of financial position showed trade receivables of \$25 745 after deducting a provision for doubtful debts of 5%.

What were the sales for the year?

A \$46 765 **B** \$47 215 **C** \$47 670 **D** \$48 570

13 L, M and N are in partnership, sharing profits and losses equally.

On 31 December 2020 N retired. At that date:

- 1 N's capital account balance was \$30 000 and his current account had a debit balance of \$5400.
- 2 Profit for the year was \$21 000 before paying L's salary of \$6000.
- 3 The goodwill was valued at \$18 000 but is not to remain in the books of account.
- 4 Other assets are to be revalued upwards by \$6000.

How much will N be entitled to on his retirement?

A \$30 600 **B** \$37 600 **C** \$41 400 **D** \$42 400

- 14** Charlie and Daphne are in partnership, sharing profits and losses in the ratio 2:1. Their fixed capital account balances at 31 December 2019 were \$20 000 and \$13 000 respectively.

They changed the terms of the partnership on 1 January 2020 to introduce interest on capital at the rate of 10% per annum.

Which effect did this change have on Charlie's **total** share of profit for the year ended 31 December 2020?

- A** decrease of \$200
- B** decrease of \$700
- C** increase of \$200
- D** increase of \$700

- 15** What will be debited in the appropriation account of a partnership?

- 1 interest on partners' drawings
- 2 interest on the partner's loan
- 3 salaries of partners
- 4 partners' share of goodwill written off

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

- 16** A company made a rights issue of ordinary shares at a premium.

How will this be treated in the financial statements?

- 1 as equity in the statement of financial position
- 2 as a movement in the statement of changes in equity
- 3 as a non-current liability in the statement of financial position

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

- 17** The income statement of X Limited for 2020 showed an incorrect profit figure because \$10 000 of goods had been counted twice when closing inventory was valued. This incorrect inventory value was carried forward as the opening inventory for 2021.

In February 2021 the directors paid a dividend equal to 40% of the profit for 2020.

What were the effects of the error in inventory valuation?

	dividend paid in 2021	retained earnings at 31 December 2021
A	decrease of \$4000	decrease of \$4000
B	decrease of \$4000	increase of \$14 000
C	increase of \$4000	decrease of \$4000
D	increase of \$4000	decrease of \$14 000

- 18** A company has the following items in its statement of financial position.

	\$
ordinary shares of \$0.50 each	900 000
retained earnings	450 000
long-term bank loan	30 000

The company then issues 100 000 bonus shares of \$0.50 each to its shareholders.

What is the total equity after the issue of the bonus shares?

- A** \$1 300 000 **B** \$1 350 000 **C** \$1 380 000 **D** \$1 400 000

- 19** Which ratios are usually calculated to measure the efficiency of a business?

- 1 current
- 2 gross margin
- 3 inventory turnover
- 4 trade receivables turnover

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

20 The following information is available for a limited company at the end of its financial year.

	\$
ordinary shares of \$1 each	400 000
retained earnings (including profit for the year \$94 500)	250 000
8% debenture (2028)	100 000
bank overdraft	20 000

What is the return on capital employed?

- A** 12.27% **B** 12.60% **C** 13.31% **D** 13.67%

21 What is a stepped cost?

- A** It contains both fixed and variable elements.
B It is fixed for a given level of output then increases.
C It is fixed for any level of output.
D It is variable for a given level of output.

22 Which business would use a batch costing system?

- A** a clothing retailer
B a footwear manufacturer
C a stationery wholesaler
D an oil refinery

23 Details of a company's fixed overhead in a period were as follows.

	budgeted	actual
direct labour hours	5000	5500

Total budgeted fixed overhead was \$50 000.

Overheads over-absorbed for the period were \$4000.

What was the actual fixed overhead incurred in the period?

- A** \$51 000 **B** \$54 000 **C** \$55 000 **D** \$59 000

24 How might an under-absorption of overheads arise?

- 1 Overheads have been over-budgeted.
- 2 Overheads have been under-budgeted.
- 3 Production was less than budgeted.
- 4 Production was more than budgeted.

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

25 Which statements explain why it is important for a business to know the contribution per unit for its production?

- 1 It helps in assessing the impact of a change in sales volume.
- 2 It helps in deciding whether to make or buy a product.
- 3 It helps in making long-term decisions.

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

26 The following information is available for a month.

	\$
sales revenue	150 000
direct materials	45 000
direct labour	28 000
variable overheads	7 000
fixed overheads	21 000

What is the contribution to sales ratio?

A 32.67% **B** 46.67% **C** 48.67% **D** 53.33%

27 A company had the following results.

	\$
sales revenue	230 000
variable costs	92 000
fixed costs	60 000
profit	78 000

What was its margin of safety in dollars?

A \$100 000 **B** \$130 000 **C** \$138 000 **D** \$170 000

28 A company has total fixed costs of \$400 000.

It manufactures and sells a single product for \$25 per unit and has a contribution to sales ratio of 80%.

How many units does it need to produce and sell to make a profit of \$200 000?

- A** 10 000 **B** 20 000 **C** 24 000 **D** 30 000

29 A trader makes and sells a single product. It has a selling price of \$90 and a contribution per unit of \$30.

When 800 units are sold, the profit is \$9600.

What is the profit if 1000 units are produced and sold?

- A** \$12 000 **B** \$15 600 **C** \$27 600 **D** \$30 000

30 Why might a business prepare a budget?

- A** to determine the amount of bank loan it needs
- B** to determine the skills of labour force
- C** to identify its market share
- D** to identify the quality of its products

BLANK PAGE

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.