Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **October/November 2021**

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.

1 A trader keeps a full set of accounting records.

Which statement is correct?

A Credit notes issued are recorded in the sales journal.

B Sales invoices are recorded in the general journal.

C The sales account is kept in the general ledger.

D The sales journal is prepared from entries in the sales ledger.

2 The totals of the discount columns in a three-column cash book were debit side $320 and credit side $140.

What entries are made when these totals are posted to the nominal ledger?

	account debited	$	account credited	$
A	discounts allowed	140	discounts received	320
B	discounts allowed	320	discounts received	140
C	discounts received	140	discounts allowed	320
D	discounts received	320	discounts allowed	140

3 A company sold one of its delivery vehicles for $2800 after two years of use. The original cost of the vehicle was $6500. The company depreciates its vehicles at 30% per annum using the reducing balance method.

What was the profit or loss on disposal?

A loss $200

B loss $385

C profit $200

D profit $385

4 A trader depreciates loose tools using the revaluation method.

Which account is credited at the end of the year to record depreciation on loose tools?

A depreciation of loose tools

B disposal

C loose tools

D provision for depreciation of loose tools

5 A business sold one of its non-current assets.

The following information relates to this asset.

	$
purchase price	50 000
depreciation to date of sale	20 000
sale price	60 000

What was the effect of this transaction on the net assets in the year of sale?

A decrease of $30 000

B decrease of $60 000

C increase of $30 000

D increase of $60 000

6 Which items will be found on the credit side of a sales ledger control account?

1 allowance for irrecoverable debts

2 contra with purchases ledger control account

3 irrecoverable debts written off

4 refund to customers who overpaid

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

7 A business omitted discounts allowed of $700 from its trial balance.

During the year a machine had been sold for cash, $500, but the only accounting entry made was a debit in the bank account.

What is the balance on the suspense account before these errors are corrected?

A $200 debit **B** $1200 debit **C** $200 credit **D** $1200 credit

8 Felix drew $200 out of his business bank account in order to top up his petty cash float.

When recording this transaction in his cash book he reversed the entries.

Despite this error the bank balance showing in his cash book was equal to the balance on his bank statement at the same date.

How was this possible?

A There was an uncredited deposit of $200.

B There was an uncredited deposit of $400.

C There was an unpresented cheque for $200.

D There was an unpresented cheque for $400.

9 A business had calculated a draft profit for the year.

The following items have been discovered.

1 A customer has been declared bankrupt and is unable to pay the amount they owe.

2 Unsold goods on sale or return basis have been included in inventory.

3 Rent paid in advance has not been included.

4 The owner's cash drawings have been entered into the owner's capital account.

Which of these need to be adjusted to calculate the correct profit for the period?

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

10 The following information has been extracted from the statement of financial position of a sole trader at 31 March 2021.

	$
non-current assets	130 000
current assets	32 000
current liabilities	18 000
non-current liabilities	25 000
profit for the year ended 31 March 2021	20 000
drawings	15 000

What was the balance on the capital account at 31 March 2021?

A $114 000 **B** $119 000 **C** $124 000 **D** $167 000

11 At the start of the year the balance on a sole trader's capital account was $183 000.

During the year the following took place.

1. The owner introduced a motor vehicle into the business. This had a cost of $90 000 and had a market value of $74 000.
2. The owner took cash drawings of $15 000.
3. The owner took inventory for personal use. This had a cost of $24 000 and a selling price of $32 000.

After recording these and the profit for the year, the closing balance on the capital account was $265 000.

What was the profit for the year?

A $31 000 **B** $39 000 **C** $47 000 **D** $55 000

12 Why might a sole trader form a partnership?

1. to enable the revaluation of business assets
2. to have the protection of limited liability
3. to gain additional capital for the business

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

13 X and Y are in partnership. The following information relates to the partnership.

current account	start of the year $	end of the year $
X	12 000 credit	17 500 credit
Y	6 000 credit	4 000 debit

The following transactions took place during the year.

drawings	$
X	13 000
Y	19 000

X received a salary of $5000.

What was the profit for the year before appropriation?

A $22 500 **B** $27 500 **C** $30 500 **D** $32 500

14 L, M and N were partners sharing profits and losses equally.

N's capital account was as follows.

	$		$
motor vehicle	7000	balance	14000
bank	8000	current account	1000
	15000		15000

What explained the entries in the capital account?

A N bought a motor vehicle from the business paying $1000 more than its book value.

B N's capital account includes his share of the loss on the disposal of a motor vehicle.

C N increased his capital by introducing a motor vehicle and paying cash into the bank.

D N retired and took the amount due to him in the form of a motor vehicle and money from the bank.

15 A shareholder sells some ordinary shares for more than he paid for them.

What is the effect on the company statement of financial position?

	ordinary share capital	share premium account
A	decrease	decrease
B	decrease	increase
C	no effect	decrease
D	no effect	no effect

16 The equity of X Limited at 30 June 2021 was as follows.

	$
share capital	600000
share premium	100000
revaluation reserve	90000
general reserve	50000
retained earnings	80000

What was the maximum total dividend that could be paid to shareholders?

A $80000 **B** $130000 **C** $220000 **D** $320000

17 The value of inventory for a limited company at 31 May 2020 was overstated by $20 000.

What was the effect of this error on retained earnings?

	retained earnings at 31 May 2020	retained earnings at 31 May 2021
A	overstated by $20 000	no effect
B	overstated by $20 000	understated by $20 000
C	understated by $20 000	no effect
D	understated by $20 000	overstated by $20 000

18 What are limitations of using accounting ratios for comparisons between firms in the same industry?

1 Different businesses may have different accounting policies.

2 Efficiencies of different businesses cannot be compared.

3 Liquidity of the businesses cannot be assessed.

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

19 Abdul is assessing the profitability and efficiency of his business and is using these figures from the financial statements.

	$
non-current assets at cost	70 000
net book value of assets	53 000
revenue	340 000
profit from operations	84 000

What is the non-current asset turnover?

A 1.20 times **B** 1.58 times **C** 4.86 times **D** 6.42 times

20 The following information was available for a business for the year ended 31 December.

annual sales	$400 000
gross margin	20%
rate of inventory turnover	4 times
opening inventory	$60 000

What was the value of closing inventory?

A $70 000 **B** $80 000 **C** $100 000 **D** $140 000

21 A manufacturing business is currently operating at full capacity.

As part of an expansion programme to increase production capacity, the business intends to employ an additional factory supervisor.

How are total supervisory salaries classified?

A fixed cost

B semi-variable cost

C stepped cost

D variable cost

22 The following budgeted information is available.

production (units)	total costs $
20 000	240 000
32 000	326 400

What are the fixed costs?

A $21 600 **B** $57 600 **C** $86 400 **D** $96 000

23 A business absorbs its overheads on the basis of direct labour hours.

The following information is provided.

	actual	budgeted
overheads	$560 000	$546 000
direct labour hours	19 300	18 200

By how much are overheads under or over absorbed?

A over absorbed by $14 000

B under absorbed by $14 000

C over absorbed by $19 000

D under absorbed by $19 000

24 Which would be a suitable basis to apportion depreciation to production departments?

1 machine hours

2 net book value of machinery

3 number of machines

4 original cost of machinery

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

25 The following information is available.

per unit	$
selling price	10
variable costs	4

Budgeted break-even sales volume is 15 000 units.

Budgeted sales volume is 20 000 units.

What were the fixed costs?

A $20 000 **B** $30 000 **C** $60 000 **D** $90 000

26 A business increased its profits by changing from marginal costing to absorption costing.

Which statement is correct?

A Production and sales were equal.

B Production stopped in the period.

C Production was greater than sales.

D Production was less than sales.

27 A company makes and sells a single product. The following budgeted information is available for one month.

selling price per unit	$750
variable costs per unit	$550
total monthly sales	600 units
total fixed costs	$80 000

The directors are able to reduce the variable costs to $500 per unit.

By how many units can budgeted sales reduce to achieve the same monthly profit?

A 120 **B** 320 **C** 400 **D** 480

28 Which assumption of cost–volume–profit analysis is **not** correct?

A Costs can easily be divided into variable and fixed.

B Total fixed costs remain the same within the relevant range.

C Units produced and sold are equal.

D Unit selling price is constant.

29 A business manufactures four products: **A**, **B**, **C** and **D**. Information relating to these products is shown.

In the coming month, labour hours available for production are limited and only one product can be produced.

Which product should be produced in order to maximise the profit?

	unit selling price $	contribution per unit $	labour hours per unit	overhead absorption rate per labour hour $
A	45	18	9	2.5
B	50	16	4	3.2
C	40	9	1.5	1.2
D	36	15	2	1.8

30 Why might a business use budgets?

1 to determine the level of demand for its product

2 to have a benchmark against which to assess actual performance

3 to know how much raw material suppliers will be able to supply

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

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