Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **October/November 2023**

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.

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1 Inventories are valued at the lower of cost and net realisable value in the statement of financial position.

Which accounting concept is being applied?

A duality

B historic cost

C matching

D prudence

2 Which statements describe ways in which the security of data can be ensured within a computerised accounting system?

1 avoiding the use of updates from the accounting software provider

2 frequent backing-up of all work entered into the accounting system

3 making sure that anti-virus protection is put in place

4 using a single password to allow access to the entire accounting system

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

3 On 1 January, Ann owed Sam $400. She paid the amount due on 6 January after deducting a 2% cash discount.

How did Ann record this?

	account debited	$	account credited	$
A	bank discount allowed	392 8	Sam	400
B	bank discount received	392 8	Sam	400
C	Sam	400	bank discount allowed	392 8
D	Sam	400	bank discount received	392 8

4 An improvement to business premises has been incorrectly treated as an expense in the financial statements.

What is the effect on the financial statements **after** this error has been corrected?

	assets	profit for the year
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

5 A business incurs the following business expenditure during the year.

	$
purchase of a machine	9700
3-year maintenance for the machine	10000
replacing the wheels of a motor car	8500
upgrading the hardware of a computer	5600

What are the total costs to be included in the non-current assets account during the year?

A $15300 **B** $15600 **C** $23800 **D** $25300

6 What is a reason for providing for depreciation of non-current assets?

A to ensure non-current assets are replaced when they are worn out

B to match the cost to the revenue earned each year by the non-current assets

C to provide funds for purchasing replacement non-current assets

D to show the amount they would realise if non-current assets were sold

7 A business uses the straight-line method of depreciation.

A machine which it has owned for three years has a carrying value of $13000 at the end of the third year. When purchased, it was estimated that it had a life of five years and a residual value of $5000.

What was the original cost of the machine?

A $18000 **B** $20000 **C** $25000 **D** $32500

8 Sammy paid a credit supplier $190 in full settlement of a debt of $200. He omitted to record the discount.

How did the **correction** of this error affect Sammy's statement of financial position?

	bank	capital	trade payables
A	decreased	decreased	no effect
B	increased	no effect	decreased
C	no effect	decreased	increased
D	no effect	increased	decreased

9 The trial balance of a business did **not** agree and a suspense account was opened.

The following errors were then discovered.

1 The sales journal total of $9150 had been credited to both the sales account and the sales ledger control account.

2 The purchases journal total of $3450 had been entered correctly in the purchases account but as $3350 in the purchases ledger control account.

3 Motor expenses of $6450 paid by cheque had only been entered in the bank account.

What was the opening balance in the suspense account?

A $15 700 credit

B $15 700 debit

C $24 650 credit

D $24 650 debit

10 Which items are used to update the cash book when preparing a bank reconciliation statement?

1 an amount directly collected by a supplier from the business's bank account

2 an amount directly transferred by a customer to the business's bank account

3 an amount not yet credited to the business's bank account

4 an amount not yet debited to the business's bank account

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

11 The year-end balance in the cash book was $23 780. This was different from the balance on the bank statement. The difference was due to the following items.

	$
a bank error meant a cheque was incorrectly debited to the bank account	560
a customer's cheque which was dishonoured	1 375
bank charges	216

Which figure should be included as cash at bank in the statement of financial position?

A $21 629 **B** $22 189 **C** $25 371 **D** $25 931

12 Which item is **not** recorded in the sales ledger control account?

A allowance for irrecoverable debts

B dishonoured cheque

C returns inwards

D settlement discount

13 The closing balance of a purchases ledger control account was $7480. It did **not** agree with the total of the suppliers' balances in the purchases ledger. The following two errors were found.

1 An error of original entry occurred when a credit note from a supplier for $120 had been recorded as $210.

2 Interest charged on an overdue supplier's account of $40 had been debited to the purchases ledger control account.

What is the corrected balance of the purchases ledger control account?

A $7470 **B** $7490 **C** $7520 **D** $7650

14 Which statements are correct?

1 An increase in the allowance for irrecoverable debts increases profit for the year.

2 Irrecoverable debts decrease profit for the year.

3 Rental income received in advance at the end of the period will increase profit for the year.

4 Revenue which has been earned but not yet received will increase profit for the year.

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

15 A business paid an annual rent of $24 000. At the beginning of the year, on 1 January, there was accrued rent of $4000.

Rental payments during the year were as follows:

	$
1 January	12 000
1 July	10 000
1 September	13 000

How was rent recorded in the financial statements at 31 December?

	statement of profit or loss $	other receivables $	other payables $
A	24 000	7 000	nil
B	24 000	nil	7 000
C	35 000	11 000	nil
D	35 000	nil	11 000

16 A business adds a mark-up of 25% to all goods sold.

The following information is available for the year ended 30 June.

	$
receipts from credit customers	284 300
opening trade receivables	22 100
closing trade receivables	26 500
cash used for business expenses and drawings	52 400
discount allowed to credit customers	1 200
closing cash balance	500

Receipts from cash sales were used to pay business expenses and drawings. Any remaining cash was placed in the cash account. The opening cash balance was nil.

What was the value of total sales for the year?

A $340 400 **B** $341 600 **C** $342 800 **D** $428 500

17 A partnership agreement only provides for interest on capital at a rate of 6% and interest on drawings at a rate of 8%.

What will be the interest payable on a loan from a partner?

A 0% **B** 5% **C** 6% **D** 8%

18 L and M are in partnership. The following information relates to the financial year.

	L $	M $
drawings	20 000	30 000
interest on drawings	1 200	1 800
interest on partner's loan	8 000	
salary		20 000
residual profit share	36 000	18 000

What was the profit for the year?

A $71 000 **B** $77 000 **C** $79 000 **D** $121 000

19 Which items will **not** form part of the equity of a limited company?

1 long-term bank loan
2 share premium
3 retained earnings
4 revaluation reserve

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

20 Which is an internal stakeholder?

A bank
B debenture holder
C employee
D potential investor

21 In the last financial year, R Limited had sales revenue of \$190 000 and operating expenses of \$108 000.

In the current financial year, the directors think that if they increase spending on advertising by \$5000, then sales would increase to \$205 000. Operating expenses (excluding advertising) would increase by \$7000.

What would the operating expenses to revenue ratio be if the additional advertising took place?

A 56.10% **B** 58.54% **C** 158.33% **D** 170.83%

22 The following information is available for a business.

	$
total purchases	820 000
credit purchases	740 000
opening inventory	60 000
closing inventory	80 000
total sales (all on credit)	910 000
carriage inwards	20 000
returns outwards	40 000

What was the inventory turnover?

A 29 days **B** 32 days **C** 33 days **D** 35 days

23 Which characteristic describes an indirect cost?

A a cost that cannot be controlled by company managers

B a cost that cannot be directly traced to individual cost units or cost centres

C a cost that changes at different levels of activity

D a cost that remains unchanged at all levels of activity

24 The manufacture of product type X incurs a specific cost. Data relating to this is as follows:

units produced	6000	9000
cost per unit	$3	$2

Which type of cost is this?

A fixed

B semi-variable

C stepped

D variable

25 A company makes a single type of product and sells it for $12 per batch.

The variable cost is $4 per batch.

Fixed costs have been absorbed based on a normal activity level of 1000 batches at $3 per batch.

What is the profit under marginal costing if the company makes and sells 1500 batches?

A $6000 **B** $7500 **C** $9000 **D** $12 000

26 A business operates a system of absorption costing.

Which statements are correct?

1 Overheads would be over absorbed if the actual activity level was below the budgeted level.

2 Overheads would be under absorbed if the actual activity level was below the budgeted level.

3 Overheads would be over absorbed if the actual overhead exceeded the budgeted overhead.

4 Overheads would be under absorbed if the actual overhead exceeded the budgeted overhead.

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

27 A business uses an overhead absorption rate of $20 per direct labour hour.

In April budgeted direct labour hours were 6000 and actual direct labour hours were 6100.

Overheads for the month were under absorbed by $3000.

What were the actual overheads in April?

A $117 000 **B** $119 000 **C** $123 000 **D** $125 000

28 Which statement is an argument for using marginal costing?

A International accounting standards require use of marginal costing.

B Marginal costing data enables the use of decision-making techniques.

C Setting selling prices is made easier under marginal costing because all costs are considered.

D The distinction between fixed and variable overheads under marginal costing is no longer relevant.

29 The following information is available for a business.

total fixed costs	\$15 000
variable cost	\$12 per unit
selling price	\$20 per unit
break-even point	1875 units

The business wants to reduce the break-even point to 1500 units.

Which strategy will **not** achieve the target break-even level?

A increasing the selling price to \$22 per unit

B reducing fixed costs to \$12 750 and reducing variable cost to \$11.50 per unit

C reducing fixed costs to \$12 800

D reducing variable costs to \$10 per unit

30 Which assumption does **not** apply for cost–volume–profit (CVP) analysis?

A All units produced are sold.

B Only a single type of product is produced and sold.

C Total fixed costs change over a period.

D Variable cost changes in direct proportion with sales volume.

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