



Cambridge International AS & A Level

ACCOUNTING

9706/11

Paper 1 Multiple Choice

May/June 2024

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 Jamie is setting up a business.

There are three details which are important to Jamie.

- 1 Jamie wants to have a salary for his work in managing the business.
- 2 Jamie wants full ownership of the business.
- 3 Jamie wants to avoid the risk of losing personal assets.

Which type of business should Jamie choose?

- A sole trader
- B partnership
- C private limited company
- D public limited company

to avoid personal liability

2 The owner of a business paid for business stationery using her personal funds.

Which ledger account will be credited?

- A capital *or owner's contribution*
- B cash
- C drawings
- D stationery

3 Why does a business charge depreciation?

- 1 to be able to replace an asset at the end of its useful life
- 2 to charge the cost of an asset to each period that benefits from its use
- 3 to treat each asset according to the concept of consistency

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

Consistency only means use the same accounting method.

- 4 The following information relates to the non-current assets of a business that was formed three years ago.

Balance at start of year 3 = 10000 - 4000 = 6000
 Depreciation for year 3 = 1500
 Revised Profit = 18500

	\$
cost at start of year 1	10 000
accumulated depreciation at end of year 3	6 000
draft profit for year 3	18 000

First straight line then reducing balance!

In calculating the draft profit for year 3, depreciation has been consistently charged using the straight-line method.

Prior to finalising the accounts, the business decided to change the method of depreciation for year 3 to the reducing balance method at a rate of 25% per annum.

What was the revised profit for year 3?

- A \$16 000 B \$17 500 C \$18 500 D \$19 000

- 5 Why does a business maintain a sales ledger control account?

- A to ensure that statements are sent out promptly to customers
 B to record the total of discounts received
 C to reduce the risk of irrecoverable debts
 D to verify the arithmetical accuracy of entries in the sales ledger
- Since a control ledger account is reconciled to individual ledgers at the end of every accounting period.

- 6 Iga is worried that her book-keeper may have been forgetting to record credit notes received.

What should she do to find out?

- 1 check purchases ledger balances against statements of account
 2 extract a trial balance showing individual purchases ledger accounts
 3 prepare a purchases ledger control account
- for individual accounts

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

- 7 A trial balance does **not** balance and a suspense account is opened.

On investigation, the following errors are found.

- ✓1 The debit balance of \$450 on the carriage outwards account has been brought down as \$540. *correcting entry → credit to C.O. A/c for \$90*
- ✓2 The purchases returns journal has been overcast by \$100. *Debit to returns \$100*
- 3 A cheque for \$50 received from Alan Green has been posted to the credit account of Brian Green.
- ✓4 Rent received of \$350 has been posted to the debit of rent paid account.

What is the opening balance on the suspense account?

- ✓A credit \$690 B credit \$740 C debit \$690 D debit \$740

$$\begin{array}{r} \text{Credits} = 350 + 90 \\ \quad \quad \quad + 10 \\ \hline = 790 \\ \text{Debits} = 100 \end{array}$$

- 8 The table shows extracts from a business's bank reconciliation.

	\$
balance per cash book at 31 December	2075 debit
balance per bank statement at 31 December	2250 credit
bank charges per bank statement not entered in cash book	150
outstanding cheques not presented at year end	325

$$\begin{array}{r} 2075 \\ - 150 \\ \hline 1925 \end{array}$$

What is the bank balance to be shown in the financial statements? *Cash in Hand at year end*

- A \$1600 ✓B \$1925 C \$2075 D \$2225

- 9 The total of trade payables balances in Konrad's purchases ledger was \$57 400. The following errors were then discovered.

	\$
discount allowed overcast in cash book	2000
✓ returns outwards omitted in a supplier's account	350
payments to trade payables undercast in cash book	137
purchases journal overcast	500

Liability

will affect receivables
will decrease payables
Payable has to decrease
" "

What is the correct total of trade payables balances?

should be 56,413 (57400 - 350 - 137 - 500)

- A \$54 413 B \$54 913 C \$55 050 ✓D \$57 050

10 Which statement is **not** correct?

- A Control accounts reveal whether there are errors in sales and purchases ledgers.
- ✓ B Credit balances in a sales ledger are trade receivables.
- C Debit balances in a purchases ledger are current assets. *inventory*
- D A sales ledger control account includes irrecoverable debts.

11 A business maintains an allowance for irrecoverable debts of 5% of trade receivables. At the end of the current financial year, trade receivables totalled \$8000 which was 20% less than the year before.

How will the profit for the current financial year be affected by the change in the allowance for irrecoverable debts?

- A decrease by \$100
- B decrease by \$400
- ✓ C increase by \$100
- D increase by \$400

Last year's trade receivables = 8000 / 0.8 = 10000
Allowance for bad debt = 10000 × 0.05 = \$500
This year's allowance = 8000 × 0.05 = \$400
Profit of current year will increase by 100
(as expense go down)

12 A trader does **not** keep full records but supplies the following information.

Actual Sales = 19030
+ 5400 + 7200
+ 7 (cash increase)
= 31,637

	1 January	31 December
	\$	\$
bank (debit)	4240	6320
cash balance	264	271

issued cheques 4240
sale -19950
+3000
-6320

+7
19030
= Sales per bank

Cheques issued during the year were \$19 950.

All takings from sales were banked except that cash of \$5400 was used for drawings and \$7200 was paid for wages.

In addition, \$3000 was paid to bank from the sale of a motor vehicle.

What was the total amount of sales during the year?

- A \$22 037
- B \$31 630
- ✓ C \$31 637
- D \$34 637

13 Which statement(s) are true of drawings?

- ✓ 1 They are a reduction in the owner's investment.
- ✗ 2 They have to be less than the profit for the year. *should be not have to be*
- ✗ 3 They represent the salary paid to the owner. *No*

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

14 Vikram is a partner in a business. Partners do **not** receive salaries or interest on capital, but they are charged 5% interest on the balance of their drawings account.

Vikram made drawings of \$40 000 during the year and his share of profits was \$47 500.

His current account showed a credit balance of \$4500 after the relevant entries were made at the end of the financial year.

What was the debit balance on Vikram's current account at the beginning of the financial year?

- ✓ A \$1000
- B \$3000
- C \$5000
- D \$5500

<i>Current Acc</i>	
<i>Debit</i>	<i>Credit</i>
<i>47500</i>	<i>4500</i>
<i>.</i>	<i>40000</i>
<i>.</i>	<i>2000</i>
<i>1000</i>	

15 A partnership operates without having a partnership agreement.

Which rules will apply to the partnership?

- 1 Partners will be entitled to interest on any loans made to the business at a rate of 10% per annum.
- 2 Partners will be entitled to interest on their capital at a rate of 5% per annum.
- 3 Partners will not be charged interest on their drawings.
- 4 Partners will not be entitled to a salary. *Since no agreement is made*

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

- 16 L and M are in partnership, sharing profits and losses in the ratio of 3 : 2 respectively.

The following information was available at year end.

	L \$	M \$	
capital	200 000	150 000	interest on capital 8%
drawings	30 000	20 000	interest on drawings 5%
partners' salaries	22 000	17 000	

Residual profit = 40000
 int paid = 28000
 int Recvd = (2500)
 Sdary paid = 30000
104500

The residual profit shared by L was \$24 000. $\frac{3}{5}$

What was the profit for the year before appropriation?

- A \$48 500 B \$88 500 C \$104 500 D \$109 500
- 17 Which statements about debenture interest are correct?

- 1 Interest percentage rate will always be higher than dividend per share.
- 2 Interest will be deducted in the statement of changes in equity.
- 3 Interest will be paid before ordinary shareholder dividends. *Debenture interests are fixed and*
- 4 Interest will be paid even if the company records a loss. *mandatory*

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

18 A company has the following reserves.

	\$
share premium	60 000
revaluation reserve	75 000
general reserve	10 000
retained earnings	21 500

share premium
+ retained earnings

} can not be used

The directors wish to make a bonus issue of ordinary shares of \$1 each.

What is the maximum number of bonus shares which the company could possibly issue?

- A 31 500
- ✓ B 91 500
- C 135 000
- D 166 500

19 A business provided the information shown for a period.

$$\begin{aligned} \text{Avg Inv} &= \text{COGS} / \text{Turnover} \\ &= 900000 / 12 \\ &= 75000 \\ \text{Beg Inv} &= 100000 \end{aligned}$$

	\$
sales revenue	1 500 000
purchases	1 000 000
inventory at end of the period	50 000

$$\begin{aligned} \text{Gross margin} &= (\text{Rev} - \text{COGS}) / \text{Rev} \\ \text{COGS} &= \text{Rev} - (\text{Gross margin} \times \text{Rev}) \\ &= 1500000 - (0.4 \times 1500000) \\ &= 900000 \end{aligned}$$

The rate of inventory turnover for the period was 12 times and the business attained a gross profit margin of 40%.

$$\text{or } \text{COGS} = \text{Sales} / 0.6$$

The business also made some purchases returns and incurred an amount for carriage inwards.

What was the value of inventory at the beginning of the period?

- ✓ A \$100 000
- B \$116 667
- C \$128 572
- D \$200 000

- 20 When comparing with the previous year, a trader finds that his gross profit margin has increased and his trade receivables turnover has decreased.

Which statement would explain this?

COGS decreased, or Revenue increased, More customers paid cash

- A He bought in bulk and passed the savings on to his customers who bought more.
- B He offered more trade discount and more customers paid in cash.
- C He raised his selling price and offered more cash discounts.
- D He reduced his selling price to increase the total value of sales.
- 21 B Limited had credit sales for the year of \$3 285 000 and trade receivables at year end of \$405 000.

The sales director believed that if cash discounts had been given, then trade receivables would have been \$351 000. The allowance for irrecoverable debts would have been reduced by \$9000.

What difference would the discounts have made to the trade receivables turnover?

- A It would have been 5 days faster.
- B It would have been 5 days slower.
- C It would have been 6 days faster.
- D It would have been 6 days slower.

$$\text{Receivable Days} = \frac{\text{Receivables} \times 365}{\text{Credit sales}}$$

$$\text{Previously, Days} = \frac{405000 \times 365}{3285000} = 45 \text{ days}$$

$$\text{Now, Receivable Days} = \frac{351000 \times 365}{3285000} = 39 \text{ days}$$

- 22 A business makes wedding dresses. Each machinist is paid \$30 a day and each supervisor \$40 a day. Each supervisor can work with up to 10 machinists and each machinist can produce one wedding dress a day. $95 \times 30 + 10 \times 40 = 400 + 2850 = 3250$

If 95 wedding dresses a day are produced, what is the daily labour cost?

- A \$2850 B \$3210 C \$3230 D \$3250

Machinists needed = 95/day
Supervisor needed = 10/day

- 23 Which statement best describes variable costs?

- A costs that are the same in total up to a certain level then increase with output
- B costs that are the same in total over any output level
- C costs that are constant per unit as output increases
- D costs that increase per unit as output increases

Variable costs are calculated per unit and remain consistent till 100% factory output.

24 P Limited makes wooden chairs at a unit cost of \$70 each.

It has received an order to produce a batch of 1000 wooden chairs with padded seats. This requires \$6000 of additional materials, an extra 500 labour hours at \$15 per hour and a \$2000 increase in overheads.

What is the cost of the batch?

- A \$13 500 B \$15 500 C \$83 500 ✓ D \$85 500

$$\begin{array}{r}
 \text{Add materials} \quad 7000 \ 0 \\
 \quad \quad \quad \quad \quad 600 \ 0 \\
 \quad \quad \quad \quad \quad 7500 \quad \text{Labour} \\
 \quad \quad \quad \quad \quad \underline{2000} \quad \text{OH cost} \\
 \quad \quad \quad \quad \quad \underline{\underline{85500}}
 \end{array}$$

25 Why would overheads be over absorbed?

- A Overheads absorbed is less than overheads budgeted.
 B Overheads absorbed is more than overheads budgeted.
 ✓ C Overheads incurred is less than overheads absorbed.
 D Overheads incurred is more than overheads absorbed.

$$\text{Actual O.H} < \text{Budgeted Rate} \times \text{Actual Labour Hours}$$

26 A company makes one product with a selling price of \$384 per unit. The costs are as follows:

	per unit
direct materials	4 kilos at \$8 per kilo
direct labour	8 hours at \$12 per hour
selling and distribution	\$40

$$\begin{array}{r}
 \text{COGS} = 384 \times 0.5 \\
 = 192 \\
 - 40 \\
 - 96 \\
 - 32 \\
 \underline{\quad} \\
 \text{Overhead} = 24
 \end{array}$$

The mark-up is 50%.

$$\text{Absorption Rate} = \frac{24}{8} = \$3 \text{ per labour hour}$$

What is the factory overhead absorption rate per labour hour?

- ✓ A \$3 B \$5 C \$11 D \$22

27 Which statements about marginal costing are correct?

- ✓ 1 It enables a business to make the best use of its resources when there is a limiting factor. *Calculate fixed costs of operations*
 2 It ensures that decisions taken are based upon the total cost of producing a product.
 3 It takes into account apportionment of service costs to production cost centres.
 ✓ 4 It usually leads to a lower inventory valuation than absorption costing. *Does not include fixed cost in product cost*

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

28 A company makes and sells a single type of product. The budgeted information for 6000 units is as follows:

*CVP analysis
or
Cost-Volume-Profit*

Units = $\frac{F.C. + T.P.}{C.M.}$

	\$
variable manufacturing costs	90 000
variable selling expenses	6 000
fixed manufacturing overheads	54 000
fixed administrative overheads	21 000

*Variable = $\frac{96000}{6000}$
Cost/unit = 12*

C.M. per unit = 40 - 12 = 24

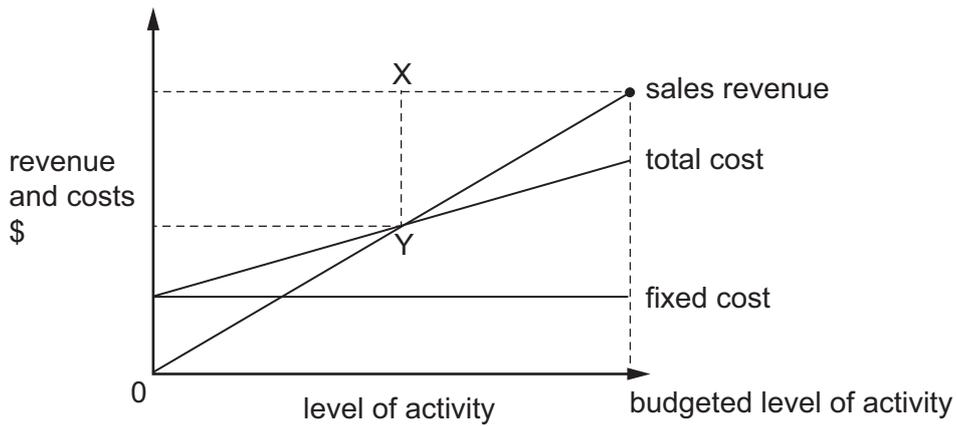
= $\frac{75000 + 45000}{24} = \frac{120000}{24}$

The unit selling price is \$40.

How many units must the company produce and sell to achieve a target profit of \$45,000?

- A 3960 B 4125 C 4800 D 5000

29 The diagram shows a break-even chart.



What does line XY represent?

- A the break-even point revenue
 B the margin of safety in terms of revenue
 C the profit at break-even point
 D the total contribution at break-even point

30 What is **not** an assumption in cost–volume–profit analysis?

- A The unit fixed cost is constant. *Total fixed cost*
 B The unit selling price is constant.
 C The unit variable cost is constant.
 D The units produced are all sold.

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