



# **Cambridge International AS & A Level**

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## **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)

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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.
- 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.

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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

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

Which ledger account will be credited?

- A** capital
- 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

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

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

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

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

**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.
- 2 The purchases returns journal has been overcast by \$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

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 <b>not</b> entered in cash book	150
outstanding cheques <b>not</b> presented at year end	325

What is the bank balance to be shown in the financial statements?

**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

What is the correct total of trade payables balances?

**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.
- 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

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

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

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.
- 3 They represent the salary paid to the owner.

**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

**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.

**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	

The residual profit shared by L was \$24 000.

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.
- 4 Interest will be paid even if the company records a loss.

**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

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.

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

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

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?

- 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.

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.

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

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

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

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

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.

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

The mark-up is 50%.

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.
- 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.

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:

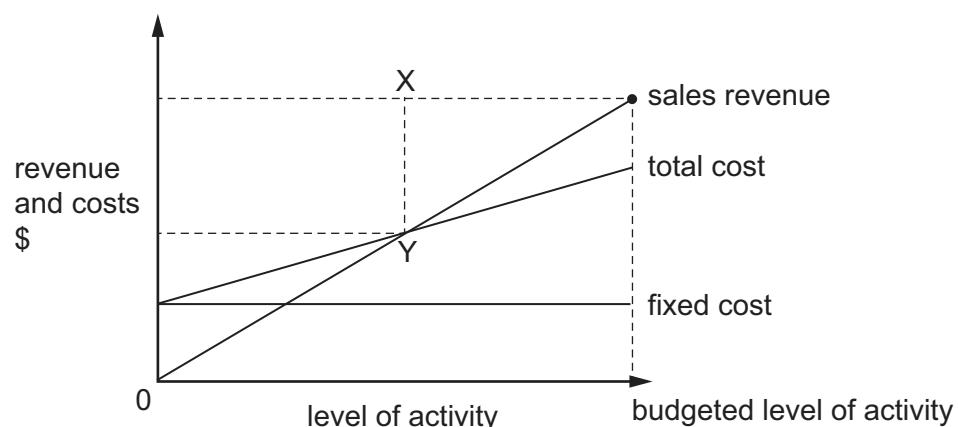
	\$
variable manufacturing costs	90 000
variable selling expenses	6 000
fixed manufacturing overheads	54 000
fixed administrative overheads	21 000

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.  
 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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