



Cambridge O Level

ACCOUNTING

7707/13

Paper 1 Multiple Choice

October/November 2023

1 hour 15 minutes

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-five** 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 35.
- 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 Which action does **not** reduce the owner's capital?
- A business expenses paid using a personal cheque
 - B cash withdrawn from the business bank account for personal use
 - C goods taken from inventory for personal use
 - D personal expenses paid using business cash
- 2 Which statement correctly describes the accounting equation?
- A $\text{capital} = \text{assets} - \text{liabilities}$
 - B $\text{capital} = \text{assets} + \text{liabilities}$
 - C $\text{capital} = \text{current assets} - \text{current liabilities}$
 - D $\text{capital} = \text{current assets} + \text{current liabilities}$
- 3 What could a credit balance on a ledger account represent?
- A accrued income
 - B asset
 - C expense
 - D prepaid income
- 4 Aiden purchased goods from Jai and paid for them by bank transfer when he received a statement of account. Jai says he has not received the payment.
- Which document would help Aiden check that he had made the payment?
- A bank statement
 - B cheque counterfoil
 - C paying-in slip
 - D petty cash voucher
- 5 At the end of the month, how is the total from the sales journal recorded in the ledger?
- A credited to the customers' personal accounts
 - B credited to the sales account
 - C debited to the customers' personal accounts
 - D debited to the sales account

- 6 A customer paid \$15 600 to a supplier after receiving a $2\frac{1}{2}\%$ cash discount and a trade discount of 20%.

What was the amount of the invoice entered in the purchases journal?

- A** \$12 480 **B** \$15 600 **C** \$16 000 **D** \$20 000

- 7 A trader maintains a petty cash book using the imprest system. The imprest amount is \$120. The petty cash transactions during the month of June were:

	\$
receipt from a customer	21
payments	
stationery	25
postage	10
cleaning	20
payment to a supplier	40

How much was given to the petty cashier on 1 July to restore the imprest?

- A** \$46 **B** \$74 **C** \$95 **D** \$120

- 8 Paula's trial balance contains errors.

	debit \$	credit \$
fixtures and fittings	4 000	
light and heat	600	
purchases	11 200	
insurance	1 200	
sales		16 500
trade payables		3 500
trade receivables	5 500	
bank overdraft	1 000	
capital		3 500
drawings		2 000
	23 500	25 500

What is the corrected trial balance total?

- A** \$23 500 **B** \$24 500 **C** \$25 500 **D** \$26 500

- 9 The following entry was made in a journal to record the correction of an error.

	debit \$	credit \$
Wasim	320	
bank		320

Which error has been corrected?

- A A cheque, \$160, was credited to Wasim's account but no debit entry was made.
- B A cheque, \$160, was debited to the bank account but no credit entry was made.
- C A cheque paid to Wasim, \$160, was credited to his account and debited to the bank.
- D A cheque received from Wasim, \$160, was credited to his account and debited to the bank.

- 10 Which statement correctly describes a suspense account?

- A It is an account opened to check for errors in a trial balance.
- B It is a permanent account used to correct the statement of financial position.
- C It is a temporary account used to correct errors of complete reversal.
- D It is an account that is opened when the totals of a trial balance disagree.

- 11 A trader prepared a draft income statement which showed a profit for the year of \$36 000.

A check of the books revealed the following information.

- 1 Drawings made by the owner of \$900 had been debited to the wages account.
- 2 The provision for doubtful debts was increased by \$20 at the year-end. The income statement was charged with the total provision of \$260.
- 3 The total of the discount allowed column in the cash book, \$140, for one month had not been debited to the discount allowed account.

What was the correct profit for the year?

- A \$34 720
- B \$36 520
- C \$37 000
- D \$37 280

- 12 Alicia's cash book showed a debit balance of \$100 on her bank account. She compared her cash book to the bank statement and updated the cash book for the following items.

	\$
credit transfer to a credit supplier	80
credit transfer from a credit customer	112
bank interest paid	19

What was the debit balance on the bank account after the cash book was updated?

- A** \$49 **B** \$73 **C** \$113 **D** \$151

- 13 The balance of cash at bank shown in the cash book is \$1200. The bank statement at the same date shows the balance to be \$1440.

What could explain the difference?

- A** payment to a supplier, \$120, entered on the wrong side of the cash book
B bank charges, \$240, not in the cash book
C cheques to suppliers, \$240, not yet presented to the bank
D receipts from customers, \$240, banked but not yet entered in the bank statement

- 14 Jane wished to make a contra entry between a sales ledger account and a purchases ledger account.

The credit entry was made correctly but the debit entry was entered in the sales returns account in error.

What was the effect of this error?

- A** Total purchases ledger balances were overstated.
B Total purchases ledger balances were understated.
C Total sales ledger balances were overstated.
D Total sales ledger balances were understated.

- 15 Which transaction is capital expenditure?

- A** capital introduced by the owner
B payment of wages
C purchase of a new computer
D repair of equipment

- 16** Sales returns were incorrectly recorded as purchases returns in an income statement.

What was the effect of this error?

- A** Capital employed was understated.
 - B** Cost of sales was overstated.
 - C** Gross profit was understated.
 - D** Profit for the year was overstated.
- 17** What is a reason for charging depreciation on a non-current asset?
- A** to build up a fund of money that can be used to replace the asset
 - B** to charge the cost of the asset over the years which benefit from its use
 - C** to ensure that profit is not understated in the income statement
 - D** to show the asset at its market value in the statement of financial position
- 18** Which non-current asset should be depreciated using the revaluation method?
- A** loose tools
 - B** mines and wells
 - C** motor vehicles
 - D** office equipment
- 19** A motor van originally cost \$11 500 and had been depreciated by \$9000. The van was sold for \$2750.
- How should the profit or loss on the sale of the van be shown in the disposal account?
- A** \$250 credit
 - B** \$250 debit
 - C** \$2500 credit
 - D** \$2500 debit

- 20** Joseph sells goods on credit and maintains a provision for doubtful debts. He wants to increase his provision for doubtful debts by \$400.

Which journal entry records this increase in the provision for doubtful debts?

		debit \$	credit \$
A	credit customer income statement	400	400
B	income statement credit customer	400	400
C	income statement provision for doubtful debts	400	400
D	provision for doubtful debts income statement	400	400

- 21** What is an advantage of operating as a sole trader?

- A** being entitled to all profits
- B** being responsible for all losses
- C** having limited liability
- D** having unlimited liability

- 22** Emma provided the following information at the end of her financial year.

	\$
fees receivable from clients	78 000
rent receivable	11 000
office expenses	20 000
motor expenses	9 000
drawings	2 000

What was her profit for the year?

- A** \$47 000 **B** \$49 000 **C** \$58 000 **D** \$60 000

23 A trader provided the following data.

	\$
total purchases	25 301
purchase returns	1 945
carriage inwards	748
goods taken for own use	1 425

What was the net figure for purchases in the income statement?

- A** \$21 931 **B** \$22 679 **C** \$23 356 **D** \$24 104

24 Pari and Ira are in a partnership, sharing profits and losses equally.

Interest on the capital account balances is allowed at 6% per annum.

Pari is entitled to a salary of \$5000 per annum.

The capital account balances at the start of the year were \$60 000 for Pari and \$40 000 for Ira.

The profit for the year was \$27 500.

How much residual profit was credited to Pari's current account at the end of the year?

- A** \$8250 **B** \$10 750 **C** \$11 250 **D** \$13 250

25 Which item is directly affected by the dividend policy of a limited company?

- A** general reserve
B ordinary share capital
C preference share capital
D retained earnings

26 What are the features of a debenture?

	return received	rate of return	voting rights
A	dividend	based on profit	yes
B	dividend	fixed rate	no
C	interest	based on profit	yes
D	interest	fixed rate	no

- 27 How are subscriptions received and subscriptions written off recorded in a receipts and payments account?

	subscriptions received	subscriptions written off
A	as a credit	as a debit
B	as a credit	no entry made
C	as a debit	as a credit
D	as a debit	no entry made

- 28 Par Golf Club had a shop that sold golfing equipment to its members. The treasurer provided the following information for the shop for the year ended 31 December.

	\$
sales of golfing equipment	5 300
opening inventory of golfing equipment	400
closing inventory of golfing equipment	450
purchases of golfing equipment	2 700
returns from customers	200
carriage on purchases	100

What was the shop's gross profit for the year?

- A** \$2250 **B** \$2350 **C** \$2450 **D** \$2750

- 29 Which option contains only indirect costs?

- A** carriage inwards, factory rent, wages of factory supervisors
B carriage inwards, raw materials, wages of machine operators
C depreciation of machinery, factory rent, wages of factory supervisors
D depreciation of machinery, raw materials, wages of machine operators

- 30 The capital of a business is higher at the end of year 2 than it was at the end of year 1. No additional capital has been introduced during year 2.

What does this mean?

- A** The business has made a loss.
B The business has made a profit.
C The business has sold some non-current assets.
D The business has taken a long-term loan.

- 31 Rahat has not maintained a full set of double entry records. She has details of her assets and liabilities at the start and end of the year.

Which additional information does Rahat need in order to be able to prepare her income statement for the year?

- A a statement of affairs at the start of the year
- B a summary of receipts and payments for the year
- C the amount of her capital at the end of the year
- D the rate of inventory turnover for the year

- 32 Toby's purchases for the year were \$13 000. His closing inventory was \$1000 more than his opening inventory. Toby's gross margin is 20%.

What was Toby's revenue for the year?

- A \$14 400 B \$15 000 C \$16 800 D \$17 500

- 33 CD Limited took out a long-term bank loan and used part of the funds to pay some of its credit suppliers early.

How did this affect the trade payables turnover (days) and the return on capital employed (ROCE)?

	trade payables turnover (days)	return on capital employed (ROCE)
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 34 Jimmy made credit sales of \$98 550 in each of the years 2021 and 2022.

In 2022, his trade receivables turnover was exactly two days shorter than it had been in 2021.

What was the **change** in his total trade receivables in 2022?

- A \$135 decrease
- B \$135 increase
- C \$540 decrease
- D \$540 increase

- 35** Which characteristic of financial information requires that financial statements be clearly presented and assumes that the users of the financial statements will have a reasonable knowledge of accounting?
- A** comparability
 - B** relevance
 - C** reliability
 - D** understandability

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