



Cambridge International AS & A Level

ACCOUNTING

9706/01

Paper 1 Multiple Choice

For examination from 2023

SPECIMEN PAPER

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 **10** pages.

- 1 In financial statements, 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 advantages of a computerised accounting system?

- 1 It allows for large amounts of data to be stored.
- 2 Mistakes in entering data are never made.
- 3 The system can be installed with minimum cost.
- 4 The trial balance always balances.

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

- 3 What would be treated as part of the capital expenditure of the purchase of a building?

- 1 cost of purchase
- 2 installation of air conditioning needed for the machinery in the building
- 3 insurance of the building

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

- 4 The table shows parts of the statements of financial position of a business.

	2020 \$	2019 \$
non-current assets (at cost)	245 000	190 000
less accumulated depreciation	90 000	75 000
net book value	155 000	115 000

Other information for the financial year 2020 is as follows:

	\$
depreciation charged	40 000
new non-current assets purchased (at cost)	105 000
loss on sale of non-current assets	10 000

Which amount was received from the sale of the non-current assets?

- A** \$15 000 **B** \$25 000 **C** \$35 000 **D** \$50 000
- 5 A business has a financial year end of 31 December. It purchased a motor vehicle on 1 January 2017 for \$24 000. The estimated useful life of the motor vehicle was four years. The estimated residual value at the end of four years was \$8 000.

The business depreciates motor vehicles at 25% per year using the reducing balance method. No depreciation is charged in the year of disposal.

The motor vehicle was sold on 31 July 2020 for \$12 000.

What was the profit on the sale of the motor vehicle?

- A** \$1875 **B** \$4000 **C** \$5250 **D** \$8000

6 A business's suspense account appears as follows.

	\$		\$
salaries	150	opening balance	100
		sales	50
	150		150

Which statements are correct?

- 1 The salaries account had been overcast by \$150.
- 2 The sales account had been overcast by \$50.
- 3 Total debits had been \$100 less than total credits in the trial balance.

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

7 In statement of profit or loss carriage outwards of \$5000 has been treated as carriage inwards.

Carriage inwards of \$3000 has been treated as carriage outwards.

What effect do these errors have on the profit?

	gross profit	profit for the year
A	overstated by \$2000	understated by \$2000
B	overstated by \$8000	no effect
C	understated by \$2000	no effect
D	understated by \$8000	overstated by \$8000

8 A bank statement shows a credit balance of \$1500.

A payment of \$500 and a receipt of \$1250 were included in the cash book but have not yet appeared on the bank statement.

Bank interest payable of \$1100 had been correctly recorded in the cash book but due to a bank error had been recorded in the bank statement as \$1000.

What is the cash book balance?

A \$650 **B** \$850 **C** \$2150 **D** \$3350

9 In which book of prime entry is the contra between the sales ledger control account and the purchases ledger control account recorded?

- A cash book
- B general journal
- C purchases journal
- D sales journal

10 A book-keeper reconciles the control accounts with the sales and purchases ledgers.

Which errors are identified in this way?

- 1 A figure was transposed when copied from a book of prime entry to a personal account.
- 2 An incorrect amount was entered in a book of prime entry.
- 3 A total in a book of prime entry was incorrect.
- 4 A transaction was omitted from a book of prime entry.

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

11 The draft profit for the year for a sole trader was \$108 000 before the following were taken into account.

- 1 An accrual of \$600 for repairs had been treated as a prepayment.
- 2 Depreciation of non-current assets had been undercharged by \$2000.
- 3 The allowance brought forward for irrecoverable debts was \$1850. The allowance to carry forward should be \$2250.

What was the correct profit for the year?

A \$104 400 B \$105 200 C \$109 000 D \$111 600

12 A company received interest of \$8800 during the financial year. Interest of \$700 was due to be received at the beginning of the year and \$850 at the end of the year.

Which entry appeared in the interest received account to make the transfer to the statement of profit or loss?

A \$8650 credit B \$8650 debit C \$8950 credit D \$8950 debit

- 13 Katrina started a business on 1 January 2020. For the year ended 31 December 2020, the following information is available.

	\$
drawings	53 500
profit for the year	62 700
revenue	1 500 000
expenses	875 000

What was the cost of sales for the year?

- A** \$562 300 **B** \$571 500 **C** \$678 000 **D** \$687 700
- 14 What are advantages to a sole trader of forming a partnership?

- 1 Losses can be shared by all partners.
- 2 More capital may be available to the business.
- 3 Profits will be greater than those of a sole trader.
- 4 There may be disagreements between partners.

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

- 15 Smith and Jones are in partnership sharing profits and losses in the ratio 3 : 2 respectively.

Profit for the year was \$152 000.

Smith was charged interest on drawings of \$1650. Jones had a partnership salary of \$40 000.

What was Smith's share of the residual profit?

- A** \$66 210 **B** \$68 190 **C** \$114 210 **D** \$116 190

- 16 There are three partners in a partnership.

The total of their current accounts at the start of the year was \$18 000 and at the end of the year is \$32 000.

Total drawings for the year amount to \$22 000 and total of partners' salaries are \$13 000.

What is the profit for the year?

- A** \$5000 **B** \$14 000 **C** \$23 000 **D** \$36 000

17 Which statement about rights issues is correct?

- A These shares can be offered to anyone.
- B These shares can only be offered to existing shareholders.
- C These shares cannot be sold at a premium.
- D These shares cannot be sold at less than the market price.

18 A company's profit from operations has increased by 10% in a year, whilst its gross profit has only increased by 5%.

Which factors could explain this?

- 1 a decrease in distribution costs
- 2 a decrease in finance costs
- 3 an increase in rent received
- 4 an increase in selling prices

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

19 A trial balance on 31 December 2020 showed the following information:

	\$
ordinary share capital (\$1 shares)	500 000
retained earnings	300 000

On 1 January 2021 the directors created a general reserve of \$70 000. At the same time 200 000 ordinary shares were issued for \$300 000.

By which amount did the total reserves increase on 1 January 2021?

- A \$100 000 B \$170 000 C \$300 000 D \$370 000

20 The following information is given in the financial statements of a limited company:

	\$
ordinary shares	1 200 000
general reserve	120 000
retained earnings	710 000
8% debentures	400 000

What is the value of total equity?

- A \$1 910 000 B \$2 030 000 C \$2 310 000 D \$2 430 000

21 The table shows year-end information for a company.

statement of profit or loss		statement of financial position	
	\$		\$
profit from operations	14 000	5% debenture 2030	30 000
finance costs	(1 500)	ordinary share capital	70 000
loss on disposal of non-current asset	(2 500)	share premium account	15 000
profit for the year	10 000	retained earnings	35 000

What is the return on capital employed (ROCE)?

- A** 6.7% **B** 8.3% **C** 9.3% **D** 11.7%

22 A company provided the following information:

	\$
revenue for the year	390 000
year-end non-current assets at cost	260 000
year-end accumulated depreciation	65 000

What was the non-current asset turnover?

- A** 0.5 times **B** 0.67 times **C** 1.5 times **D** 2 times

23 A garage owner paid the following costs:

- 1 garage equipment repairs
- 2 mechanics' wages
- 3 rent paid for garage premises
- 4 spare parts used to repair vehicles

Which of these are direct costs?

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

24 A business provided the following information:

month	number of labour hours	total overheads \$
February	64 000	918 000
March	76 000	1 062 000

What was the monthly fixed overhead cost?

- A** \$144 000 **B** \$150 000 **C** \$768 000 **D** \$912 000

25 What is the reason for calculating an overhead absorption rate in a manufacturing business?

- A** to control overhead expenditure
B to determine whether or not a supplier is overcharging
C to enable overheads to be apportioned to cost centres
D to establish costs per unit of product

26 Budgeted overhead expenditure was \$180 000 and budgeted labour hours were 12 000. Actual overheads amounted to \$196 000 and actual labour hours were 12 200.

What was the under-absorption or over-absorption of overheads?

- A** \$3000 over
B \$3000 under
C \$13 000 over
D \$13 000 under

27 Why might a business use marginal costing?

- 1 to calculate break-even units
- 2 to decide on the most profitable use of limited resources
- 3 to decide whether to make a product or buy it

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

28 How is margin of safety calculated?

- A actual sales minus break-even sales
- B actual sales minus expected sales
- C actual sales minus cost of sales
- D expected sales minus cost of sales

29 A business manufactures and sells a single product. The following information is available:

	this year \$	estimated next year \$
selling price per unit	25	25
variable cost per unit	15	17
total fixed costs	80 000	84 000

The profit for this year is \$20 000.

How many units must be sold to achieve the same profit next year?

- A 10 000 B 10 500 C 12 500 D 13 000

30 A company wants to sell 50 000 units and achieve a profit of \$600 000.

It has variable costs of \$60 per unit and total fixed overheads of \$400 000.

Which selling price per unit does the company need to charge?

- A \$64 B \$68 C \$72 D \$80