

Cambridge International AS & A Level

ACCOUNTING 9706/11

Paper 1 Multiple Choice May/June 2021

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.



1 The skill and efficiency of the workforce of a business has increased during the financial period. The owner of the business wants to record a value for this in the financial statements. His accountant advises against this idea.

Which accounting concept is the accountant applying?

- A business entity
- **B** matching
- **C** money measurement
- **D** prudence
- 2 On 1 January 2020, Marek bought some machinery. He paid a total of \$50 000.

Of this, \$6000 was for maintenance of the machinery until 31 December 2022.

Marek depreciates his machinery at the rate of 10% per annum.

How was the expenditure recorded in Marek's financial statements for the year ended 31 December 2020?

	non-current assets \$	current assets \$	income statement \$
Α	39600	nil	10 400
В	39600	4 000	6400
С	41600	4 000	4 400
D	45 000	nil	5 000

- 3 Which statements about depreciation are correct?
 - 1 It is an application of the matching concept.
 - 2 It provides funds for the replacement of a non-current asset.
 - 3 It spreads the cost of a non-current asset over its useful life.

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

4 An item of revenue expenditure is wrongly treated as capital expenditure.

What is the effect of this error?

	non-current profit for the assets year	
Α	overstated	overstated
В	overstated	understated
С	understated	overstated
D	understated	understated

5 When preparing a bank reconciliation statement, the following information is available.

	\$
bank balance shown by the cash book	20 000 debit
unpresented cheques	2500
uncleared bankings	1 400
standing order shown on the bank statement not entered in the cash book	300

What is the balance on the bank statement?

A \$18600 **B** \$19200 **C** \$20800 **D** \$21400

- **6** Why does a business keep both a sales ledger control account and individual sales ledger accounts for credit customers?
 - 1 to check accuracy of the sales journal
 - 2 to check accuracy of the individual customer accounts
 - 3 to ensure payments have been received from customers
 - 4 to monitor whether customers have exceeded their credit limits

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

7 A businessman suspects some of his inventory has been stolen. The following information is available.

	\$
sales revenue	45 600
purchases	33 600
inventory at 1 May 2020	8 300
inventory at 30 April 2021	4 500

All goods are marked up at a rate of $33\frac{1}{3}\%$.

What was the value of inventory stolen?

- **A** \$600
- **B** \$3200
- **C** \$4400
- **D** \$7000

8 At the end of the year, Barack's draft accounts showed a capital account balance of \$4300.

His drawings account included a debit entry of \$150 for goods taken for his own use.

Barack realised that this entry had been recorded in error at selling price rather than cost price.

He sells goods with a mark-up of 50%.

What is the correct closing capital account balance?

- **A** \$4225
- **B** \$4250
- **C** \$4300
- **D** \$4350

9 The following information is available for a sole trader at 31 December 2020.

	\$
goods taken by owner for own use	1 000
inventories	
1 January 2020	10 000
31 December 2020	12 000
purchases	75 000
returns	
debit balance	3 000
credit balance	4 000

What was the cost of sales?

- **A** \$68 000
- **B** \$69000
- **C** \$70 000
- **D** \$71000

10	Wh	ich items	only appe	ar on the cred	dit side (of a partne	r's capital	account?
		1	goodwill in	an agreed ra	atio split			
		2	opening ba	alances				
		3	profit on re	evaluation of a	assets			
		4	transfers f	rom current a	ccounts	3		
	Α	1 and 2	В	1 and 3	С	2 and 3	D	2 and 4
11	As	ole trade	r has a draf	t profit for the	year of	f \$47 500.		
	No	entries h	ave been m	nade in respe	ct of the	following.		
		1	However,		able de	ebt of \$36	30 had no	00 more than the previous year. ot been written off. The trader
		2	A machine	had been so	ld for \$	4000. It ha	d a net bo	ok value of \$3500.
	Wh	at will be	the correct	profit for the	year?			
	A	\$46 360	В	\$47378	С	\$47 902	D	\$47920
12	A s	ole trade	r had trade	receivables o	of \$216	50 at the st	art of the	year.
	Du	ring the y	ear there w	ere irrecovera	able del	ots of \$450	written of	f.
	Ca	sh receiv	ed from cus	stomers was §	642670			
				tatement of f or doubtful de			showed tra	ade receivables of \$25745 after
	Wh	at were t	he sales for	the year?				
	A	\$46765	В	\$47215	С	\$47670	D	\$48 570
13	L, ľ	M and N ն	are in partno	ership, sharin	g profits	s and losse	es equally.	
	On	31 Dece	mber 2020	N retired. At t	hat date	e:		
		1	N's capita		alance	was \$300	00 and h	is current account had a debit
		2	Profit for the	ne year was \$	21 000	before pay	ving L's sa	lary of \$6000.
		3	The goody	vill was value	d at \$18	3000 but is	not to ren	nain in the books of account.
	4 Other assets are to be revalued upwards by \$6000.							
	Но	w much v	vill N be ent	itled to on his	retirem	nent?		
	A	\$30600	В	\$37600	С	\$41 400	D	\$42400

14 Charlie and Daphne are in partnership, sharing profits and losses in the ratio 2:1. Their fixed capital account balances at 31 December 2019 were \$20 000 and \$13 000 respectively.

They changed the terms of the partnership on 1 January 2020 to introduce interest on capital at the rate of 10% per annum.

Which effect did this change have on Charlie's **total** share of profit for the year ended 31 December 2020?

B decrease of \$700

C increase of \$200

D increase of \$700

15 What will be debited in the appropriation account of a partnership?

1 interest on partners' drawings

2 interest on the partner's loan

3 salaries of partners

4 partners' share of goodwill written off

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

16 A company made a rights issue of ordinary shares at a premium.

How will this be treated in the financial statements?

1 as equity in the statement of financial position

2 as a movement in the statement of changes in equity

3 as a non-current liability in the statement of financial position

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

17 The income statement of X Limited for 2020 showed an incorrect profit figure because \$10 000 of goods had been counted twice when closing inventory was valued. This incorrect inventory value was carried forward as the opening inventory for 2021.

In February 2021 the directors paid a dividend equal to 40% of the profit for 2020.

What were the effects of the error in inventory valuation?

	dividend paid in 2021	retained earnings at 31 December 2021
Α	decrease of \$4000	decrease of \$4000
В	decrease of \$4000	increase of \$14 000
С	increase of \$4000	decrease of \$4000
D	increase of \$4000	decrease of \$14 000

18 A company has the following items in its statement of financial position.

	\$
ordinary shares of \$0.50 each	900 000
retained earnings	450 000
long-term bank loan	30 000

The company then issues 100 000 bonus shares of \$0.50 each to its shareholders.

What is the total equity after the issue of the bonus shares?

A \$1300000

B \$1350000

C \$1380000

D \$1400000

19 Which ratios are usually calculated to measure the efficiency of a business?

- 1 current
- 2 gross margin
- 3 inventory turnover
- 4 trade receivables turnover

A 1 and 2

B 1 and 3

C 2 and 3

D 3 and 4

20 The following information is available for a limited company at the end of its financial year.

	\$
ordinary shares of \$1 each	400 000
retained earnings (including profit for the year \$94 500)	250 000
8% debenture (2028)	100 000
bank overdraft	20 000

What is the return on capital employed?

- **A** 12.27%
- **B** 12.60%
- **C** 13.31%
- **D** 13.67%

- 21 What is a stepped cost?
 - A It contains both fixed and variable elements.
 - **B** It is fixed for a given level of output then increases.
 - **C** It is fixed for any level of output.
 - **D** It is variable for a given level of output.
- 22 Which business would use a batch costing system?
 - A a clothing retailer
 - B a footwear manufacturer
 - C a stationery wholesaler
 - **D** an oil refinery
- 23 Details of a company's fixed overhead in a period were as follows.

	budgeted	actual
direct labour hours	5000	5500

Total budgeted fixed overhead was \$50 000.

Overheads over-absorbed for the period were \$4000.

What was the actual fixed overhead incurred in the period?

A \$51000

B \$54000

C \$55 000

D \$59000

24	How migh	nt an und	der-absorpt	tion of ov	erheads	arise?

- 1 Overheads have been over-budgeted.
- 2 Overheads have been under-budgeted.
- 3 Production was less than budgeted.
- 4 Production was more than budgeted.

A 1 and 3

B 1 and 4

C 2 and 3

D 2 and 4

25 Which statements explain why it is important for a business to know the contribution per unit for its production?

- 1 It helps in assessing the impact of a change in sales volume.
- 2 It helps in deciding whether to make or buy a product.
- 3 It helps in making long-term decisions.

A 1 and 2

B 2 only

C 2 and 3

D 3 only

26 The following information is available for a month.

	\$
sales revenue	150 000
direct materials	45 000
direct labour	28 000
variable overheads	7 000
fixed overheads	21 000

What is the contribution to sales ratio?

A 32.67%

B 46.67%

C 48.67%

D 53.33%

27 A company had the following results.

	\$
sales revenue	230 000
variable costs	92 000
fixed costs	60 000
profit	78 000

What was its margin of safety in dollars?

A \$100 000

B \$130000

C \$138 000

D \$170 000

28 A company has total fixed costs of \$400 000.

It manufactures and sells a single product for \$25 per unit and has a contribution to sales ratio of 80%.

How many units does it need to produce and sell to make a profit of \$200 000?

A 10000

B 20000

C 24 000

D 30000

29 A trader makes and sells a single product. It has a selling price of \$90 and a contribution per unit of \$30.

When 800 units are sold, the profit is \$9600.

What is the profit if 1000 units are produced and sold?

A \$12000

B \$15600

C \$27600

D \$30000

30 Why might a business prepare a budget?

A to determine the amount of bank loan it needs

B to determine the skills of labour force

C to identify its market share

D to identify the quality of its products

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