



Cambridge International AS & A Level

ACCOUNTING

9706/12

Paper 1 Multiple Choice

May/June 2025

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 Ahmed and Betty are in partnership. They plan to convert the business from a partnership to a limited company. Ahmed and Betty will be shareholders.

What is the benefit to Ahmed and Betty as shareholders?

- A Disputes between them will be resolved in the annual general meeting.
- B Their personal assets are protected.
- C Their personal finances are **not** separate from those of the company.
- D The value of their shares will increase.

- 2 What is the correct double entry to record goods taken for own use by the owner of a business?

	debit	credit
A	drawings	inventory
B	drawings	purchases
C	inventory	drawings
D	purchases	drawings

- 3 Which accounting concepts are applied when depreciating non-current assets?

- 1 consistency
- 2 matching / accruals
- 3 objectivity
- 4 prudence

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

- 4 Which account balance will be in the credit column of a trial balance?

- A carriage inwards
- B carriage outwards
- C purchases returns
- D sales returns

- 5 The financial statements were prepared using the following details.

	\$
purchase cost of machinery (included \$450 for repairs to the machinery)	16 950
lighting and heating (included \$250 for wiring in the factory extension)	1 780
carriage inwards (included \$45 for delivery of new machinery)	230

What will be the amount of the decrease in non-current assets when capital and revenue items are treated correctly (ignore depreciation)?

- A** \$155 **B** \$200 **C** \$405 **D** \$450

- 6 What is the purpose of depreciating a non-current asset?

- A** to allocate its cost over its useful life
B to reflect its market value
C to reflect its replacement cost
D to reserve funds for its future replacement

- 7 The non-current assets of a business are shown in the table.

	end of the year \$	start of the year \$
cost	360 000	300 000
accumulated depreciation	<u>120 000</u>	<u>75 000</u>
carrying value	240 000	225 000

During the year, non-current assets costing \$110 000 were bought, and non-current assets, with a carrying value of \$20 000, were sold.

What was the depreciation charge for the year?

- A** \$35 000 **B** \$45 000 **C** \$50 000 **D** \$75 000

8 After the profit for the year was calculated, the following errors were discovered.

- 1 Discount allowed of \$550 was recorded as discount received.
- 2 Rental income of \$3500 was recorded as an expense.
- 3 Wages of \$4500 were recorded as \$5400.

What will be the effect on the profit for the year **after** correcting these errors?

- A decrease by \$3850
- B decrease by \$6800
- C increase by \$3850
- D increase by \$6800

9 A business's suspense account appears as follows:

	\$		\$
discount allowed	150	opening balance	100
		sales	50
	150		150

Which statements are correct?

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

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

10 Why does a business prepare a bank reconciliation statement?

- A to determine the cash in hand balance
- B to explain the difference between the cash book balance and the bank statement balance
- C to identify dishonoured cheques from trade payables
- D to prepare a statement of profit or loss

- 11** A debit balance of \$2600 was shown for the bank in the cash book of a business at the end of the month.

The bank statement included bank charges of \$1200 and interest received of \$500, both of which had **not** been entered in the cash book.

The bank column of the cash book had been overcast by \$200.

The cash book included a payment of \$800 which had **not** yet appeared on the bank statement.

What was the credit balance shown on the bank statement at the end of the month?

- A** \$900 **B** \$1700 **C** \$2500 **D** \$2700

- 12** Why is a sales ledger control account used?

- 1 to control discounts received
- 2 to ensure credit customers pay promptly
- 3 to provide a trial balance figure for trade receivables

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

- 13** A bookkeeper is given the task of reconciling the sales ledger control account with balances in the sales ledger at the end of each month.

The sales ledger control account showed a debit balance of \$26 000 before the bookkeeper discovered the following:

- 1 Contra entries of \$1800 in the sales ledger had been omitted from the control account.
- 2 Discounts allowed of \$3600 had been debited to the sales ledger control account.
- 3 The allowance for irrecoverable debts had been increased by \$1200.

What is the correct figure for trade receivables at the end of the month?

- A** \$15 800 **B** \$17 000 **C** \$18 800 **D** \$20 600

- 14** A business paid \$5750 during its trading year for advertising. This amount included \$500 in respect of the next financial year.

How would the correct treatment of the \$500 affect the financial statements?

	profit for the year	net current assets
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 15** The books of a business showed the following balances at the end of the financial year on 31 December.

	\$
trade receivables	18 820
allowance for irrecoverable debts	760

The following adjustments need to be made.

- 1 An irrecoverable debt of \$470, which was written off in the previous year, has been recovered. No entries for this have been made in the financial statements.
- 2 Irrecoverable debts of \$680 need to be written off.
- 3 The allowance for irrecoverable debts is to be 5% of trade receivables.

How will the total of these adjustments be recorded in the statement of profit or loss for the year ended 31 December?

- A** \$63 expense
- B** \$63 income
- C** \$357 expense
- D** \$357 income

16 After preparing the financial statements of a sole trader, the following items were discovered.

- 1 Drawings consisted of goods taken for own use at their sales value of \$12 000. The owner applies a mark-up of 50% on all goods sold.
- 2 Profit for the year included an insurance expense of \$7500. One-third was for the owner's health insurance.

What is the effect on the profit for the year **after** correcting these items?

- A** \$1500 decrease
- B** \$3500 decrease
- C** \$6500 increase
- D** \$8500 increase

17 L and M are in partnership.

Which item should appear in the partnership appropriation account?

- A** additional capital contributed by M
- B** cash drawings of L and M during the year
- C** salary due to L
- D** salary paid to M's sister

18 Valerie and Paul are in partnership, sharing profits and losses in the ratio of 5 : 3 respectively.

The partnership profit for the year was \$250 000.

The appropriation account of the partnership for the year included the following information.

	\$
total interest on partners' drawings	12 000
total interest on partners' capital contributions	18 000

What was Paul's share of the residual profits?

- A** \$82 500
- B** \$91 500
- C** \$93 750
- D** \$96 000

19 Which items will be shown in a company's statement of changes in equity?

- 1 a bonus issue of ordinary shares
- 2 an issue of debentures
- 3 a proposed dividend on ordinary shares
- 4 an upwards revaluation of the company's non-current assets

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

20 The table shows a company's equity.

	\$
ordinary shares of \$1.00 each	200 000
share premium account	80 000
revenue reserves	160 000

Changes now to be made to the equity (in the order given) are as follows:

- a one-for-one bonus issue of ordinary shares
- a rights issue of 100 000 ordinary shares of \$1.00 each at \$1.40 per share.

The company wishes to maintain reserves in the most flexible form.

What will be the equity of the company?

	ordinary share capital \$	share premium \$	revenue reserves \$
A	500 000	40 000	40 000
B	500 000	80 000	nil
C	540 000	nil	40 000
D	540 000	40 000	40 000

21 A company had the following balances at 31 December.

	\$
inventory	31 000
trade receivables	88 000
allowance for irrecoverable debts	2 000
bank overdraft	9 000
cash in hand	5 000

The current ratio is 2.5 : 1.

What was the value of trade payables at 31 December?

- A** \$38 600 **B** \$39 800 **C** \$40 600 **D** \$57 800

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

statement of profit or loss		statement of financial position	
	\$		\$
profit for the year	55 200	total assets	350 000
finance costs	12 000	total current liabilities	70 000

What is the return on capital employed (ROCE)?

- A** 16.00% **B** 19.20% **C** 19.71% **D** 24.00%

23 A restaurant owner paid the following:

- 1 cost of food ingredients
- 2 maintenance of cooking appliances
- 3 wages to the chefs
- 4 wages to the restaurant manager.

Which costs are indirect costs?

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

- 24** Total costs for each of two months had been recorded. Variable cost per unit remained constant. Total fixed costs increased by \$1000 in July.

	units produced	total costs
June	8 000	\$76 000
July	10 000	\$86 000

What was the total of the fixed costs in July?

- A** \$31 000 **B** \$36 000 **C** \$41 000 **D** \$76 000
- 25** P Limited uses an overhead absorption rate of \$15 per machine hour, based on budgeted machine hours of 8000 per month.

In July, production required 8500 machine hours, and the under-absorption of overheads amounted to \$16 500.

What were the actual overheads in July?

- A** \$103 500 **B** \$111 000 **C** \$136 500 **D** \$144 000
- 26** Which statement describes the purpose of overhead allocation?
- A** assignment of specific costs to production departments
B assignment of specific costs to service departments
C sharing out common costs between production departments
D sharing out common costs between service departments

- 27** A manufacturing business provides the following budgeted annual information.

	\$
direct wages (\$12 per labour hour)	600 000
fixed overheads	160 000

Fixed overheads are absorbed on the basis of direct labour hours.

A job requires direct materials costing \$480 and needs 30 labour hours.

The business wishes to make a profit margin of 25% for this job.

What is the price to be quoted for this job?

- A** \$1170 **B** \$1248 **C** \$1270 **D** \$1404

28 Which factor would cause the variable cost line on a break-even chart **not** to be a straight line?

- A** bulk-buying discounts from suppliers
- B** employing an extra factory supervisor
- C** plant and machinery depreciation
- D** renting additional warehouse space

29 The following information is available for a business.

	\$
budgeted fixed costs per month	2000
target profit per month	3000
budget variable cost per unit	15
selling price per unit	40

Fixed costs are expected to increase by \$500 per month, and variable costs are expected to increase by \$5 per unit.

Which value of revenue will be required to achieve the target profit?

- A** \$8000 **B** \$8800 **C** \$10 000 **D** \$11 000

30 What are the assumptions of cost–volume–profit analysis?

- 1 fixed cost per unit is constant
- 2 selling price per unit is constant
- 3 sales volume is constant
- 4 variable cost per unit is constant

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

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