



# Cambridge International AS & A Level

---

## ACCOUNTING

9706/13

Paper 1 Multiple Choice

October/November 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 What are advantages of operating as a partnership?

- 1 ideas and workload can be shared
- 2 no requirement to publish financial statements
- 3 separate legal identity

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

2 A business acquired a non-current asset. One half of the purchase consideration was paid by cheque on the date of the purchase. The balance was paid to the supplier three months later.

What was the credit entry to record this acquisition on the date of purchase?

- A** bank
- B** bank and loan
- C** bank and other payables
- D** bank and other receivables

3 Which statements about the prudence concept are correct?

- 1 Assets should **not** be overstated.
- 2 Liabilities should be overstated.
- 3 Losses should **only** be provided for after they have occurred.

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

4 Arya sells one type of product at a unit price of \$100 and with a credit period of one month. Customers' purchases in excess of 80 units are allowed a discount of 5%. Roy purchased 100 units but returned 10 units two weeks later.

How should Arya record the sales returns?

	account to be debited	account to be credited
<b>A</b>	sales returns \$950	bank \$950
<b>B</b>	sales returns \$1000	bank \$1000
<b>C</b>	sales returns \$950	trade receivables – Roy \$950
<b>D</b>	sales returns \$1000	trade receivables – Roy \$1000

5 What are correct descriptions of revenue and capital expenditure?

- 1 Capital expenditure includes the cost of improving non-current assets.
- 2 Capital expenditure includes the cost of purchasing non-current assets.
- 3 Revenue expenditure includes the everyday running costs of a business.

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

6 A business has a financial year end of 31 December. New production machinery was purchased on 1 July in the current financial year.

The business depreciates production machinery using the straight-line method at a rate of 20% per annum. Depreciation is charged for each month of ownership.

The residual value of the new production machinery has been estimated at \$20 000.

Depreciation charged on the new production machinery was \$8000 for the current financial year.

What was the cost of the new production machinery?

**A** \$40 000      **B** \$60 000      **C** \$80 000      **D** \$100 000

7 A new business is deciding upon the methods to use for calculating depreciation on non-current assets.

Which statements are correct?

- 1 Reducing balance method is used when a non-current asset is expected to lose more of its value early in its life.
- 2 Straight-line method is used for depreciating **both** land and buildings.
- 3 Straight-line method is used when the most benefit is gained from a non-current asset in the early years of its life.

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

- 8 A company has two non-current assets. Details are as follows:

asset	date purchased	cost \$	depreciation method		residual value
X	1 Jan 2023	10 000	straight-line	life 5 years	\$2000
Y	1 Jan 2023	20 000	reducing balance	rate 20%	nil

What was the total depreciation charge in the statement of profit or loss for the year ended 31 December 2024?

- A** \$4800      **B** \$5200      **C** \$5600      **D** \$6000
- 9 Closing inventory of \$5000 at the end of the year on 31 December has been incorrectly entered in the financial statements as \$3000.

How does this affect the financial statements for the year?

	profit for the year	total assets
<b>A</b>	no effect	understated
<b>B</b>	overstated	overstated
<b>C</b>	understated	no effect
<b>D</b>	understated	understated

- 10 The cost of a new machine has been debited to the repairs account.

What type of error is this?

- A** commission  
**B** omission  
**C** principle  
**D** reversal of entries

- 11 A suspense account was opened to record the difference on a trial balance.

After further investigation, the following errors were discovered.

- 1 Discount received of \$250 had been debited to the discount allowed account. The entry to the trade payable account was correctly made.
- 2 Electricity refund of \$170, entered correctly in the cash book, had been treated as electricity expense.
- 3 Machine installation of \$440 had been treated as machine repairs.

After correcting the errors, the trial balance agreed.

What was the opening credit balance on the suspense account?

- A** \$160                      **B** \$400                      **C** \$670                      **D** \$840

- 12 An accountant prepared a bank reconciliation statement. He discovered the following differences between the bank statement and the cash book.

- 1 an amount received from a customer by credit transfer
- 2 bank charges
- 3 unpresented cheques

Which differences will need to be entered in the cash book to update it?

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

- 13 A business maintains control accounts as a part of the double entry system. At 31 December, the balance of \$23 400 in the sales ledger control account did **not** agree with the total of the individual sales ledger balances. The following errors were discovered.

- 1 A sales invoice for \$1800 had been entered in the sales journal as \$1880.
- 2 A discount allowed of \$200 to a customer had **not** been recorded.
- 3 Sales of \$1200 had been entered on the wrong side of a customer's account.

What is the correct balance in the sales ledger control account at 31 December?

- A** \$23 120                      **B** \$23 520                      **C** \$25 520                      **D** \$25 600

- 14** A statement of profit or loss shows a **draft loss** for the year of \$9450. However, the following errors have been discovered.

- 1 Depreciation of \$10 000 on non-current assets has been incorrectly charged using the straight-line method at 25% per annum. The correct depreciation rate is 20% per annum.
- 2 No record has been made of goods taken for own use by the owner, \$720.

What is the corrected **draft loss**?

- A** \$6730                      **B** \$8170                      **C** \$8230                      **D** \$9670

- 15** The amount of trade receivables at the year end of Year 2, before deducting the allowance for irrecoverable debts, was the same as at the end of Year 1. There were **no** irrecoverable debts in either year. The sole trader reduced the rate of allowance for irrecoverable debts in Year 2.

What is the effect of this action on profit for the year and on current assets?

	profit for the year	current assets
<b>A</b>	increased	increased
<b>B</b>	increased	decreased
<b>C</b>	decreased	increased
<b>D</b>	decreased	decreased

- 16** Jane has just completed her first year in business as a sole trader.

The following details are available for the year ended 31 December.

	\$
profit for the year	89 200
bank loan at 31 December	10 000
drawings for the year	46 500
capital at 31 December	202 000
capital introduced during the year	20 000

How much capital did Jane begin the business with?

- A** \$92 800                      **B** \$129 300                      **C** \$139 300                      **D** \$159 300

**17** How is a partnership appropriation account prepared?

	added to profit for the year	subtracted from profit for the year
<b>A</b>	interest on capital	interest on drawings, partners' salaries
<b>B</b>	interest on capital, partners' salaries	interest on drawings, drawings
<b>C</b>	interest on drawings, drawings	interest on capital, partners' salaries
<b>D</b>	interest on drawings	interest on capital, partners' salaries

**18** Tom had a credit balance on his current account.

He had a partner's salary of \$5000 and interest on drawings of \$800. These were both posted to the wrong side of his current account.

What was the effect of these errors on the balance on his current account?

- A** \$8400 overstated
- B** \$8400 understated
- C** \$11 600 overstated
- D** \$11 600 understated

**19** A company provides the following information.

	\$
ordinary shares of \$0.50 each	84 000
retained earnings	50 000
total equity	134 000

The following transactions then take place.

- 1 The company makes a rights issue of one new ordinary share for every two held, at \$1.30. The issue is fully subscribed.
- 2 A bonus issue of two ordinary shares for every three held is then made.

What is the maximum possible balance of the retained earnings after these transactions?

- A** \$8400      **B** \$16 800      **C** \$33 200      **D** \$41 600

**20** A company has an ordinary share capital of \$400 000 made up of ordinary shares of \$0.50 each.

The following information is available about dividends for the year ended 31 December.

dividends paid during the year	\$0.10 per share
proposed dividends at year end	\$60 000

Which entry should be made for dividends in the statement of changes in equity for the year ended 31 December?

- A** \$40 000      **B** \$80 000      **C** \$100 000      **D** \$140 000

**21** Why do shareholders in a public limited company review the published financial statements?

- 1 to assess the return on their investment
- 2 to check the current price of a share in the company
- 3 to consider the security of their investment

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



- 22** A trader calculates his rate of inventory turnover as eight times a year.

What was the numerator (top figure) in his calculation?

- A** average inventory
- B** closing inventory
- C** cost of sales
- D** credit purchases

- 23** A new manufacturing business has just completed its first year of operation.

The following details relate to its inventory of direct materials.

date	units	\$
2 January	700	20
2 July	300	26

The following items were taken from inventory for production.

	items
4 January	250
5 July	450

What would be the value of inventory at the end of the year using the AVCO (periodic) method?

- A** \$6540      **B** \$6720      **C** \$6900      **D** \$7800

- 24** What is the purpose of a job cost sheet?

- A** to enable the business to recover its overheads
- B** to ensure the customer knows the split between materials and labour
- C** to inform the customer of the profit margin
- D** to let the business find the price for a quotation

25 The following information is available.

budgeted labour hours	10 000
budgeted production overheads	\$80 000
actual labour hours	11 000
actual production overheads	\$82 000

By how much are production overheads under-absorbed or over-absorbed?

- A \$6000 over-absorbed
- B \$6000 under-absorbed
- C \$8000 over-absorbed
- D \$8000 under-absorbed

26 Which basis should be used to apportion stores overheads to production departments?

- A number of employees in each production department
- B number of machines in each production department
- C number of requisitions made by each production department
- D number of units produced in each production department

27 The following information relates to a company's previous accounting period.

opening inventory	10 000 units
closing inventory	20 000 units
absorption cost profit	\$180 000
marginal cost profit	\$100 000

What was the overhead absorption rate per unit during the accounting period?

- A \$4
- B \$8
- C \$9
- D \$18

28 A business has the following budgeted figures for its next financial period.

	\$
budgeted total fixed cost	100 000
budgeted profit	200 000
budgeted sales	800 000

What is the budgeted total contribution for the period?

- A** \$300 000      **B** \$500 000      **C** \$600 000      **D** \$700 000

29 The following information is available for a business.

	\$
budgeted fixed costs per month	2000
target profit per month	3000
budgeted variable cost per unit	15
budgeted 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 Which statements describe assumptions that are made when using cost–volume–profit analysis?

- 1 Costs can be accurately divided into their fixed and variable parts.
- 2 Costs **cannot** be accurately divided into their fixed and variable parts.
- 3 There are multiple products or a varying sales mix.
- 4 There is a single product or constant sales mix.

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

**BLANK PAGE**

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at [www.cambridgeinternational.org](http://www.cambridgeinternational.org) after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.