



Cambridge O Level

ACCOUNTING

7707/11

Paper 1 Multiple Choice

May/June 2024

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.



- 1 Which task is performed by a book-keeper?
- A analysing accounting ratios
 - B interpreting the income statement
 - C posting entries from the journals to the ledgers
 - D preparing a statement of financial position
- 2 Which statement is correct?
- A Accounting involves measuring profits and losses.
 - B Accounting is the recording of financial transactions.
 - C Book-keeping involves communicating financial data.
 - D Book-keeping requires the use of ratio analysis.
- 3 In which book of prime entry does a trader record cash discount received?
- A cash book
 - B general journal
 - C purchases journal
 - D sales journal
- 4 The analysis columns of a petty cash book show the following totals.

	\$
postage	20
stationery	31

How should these totals be posted to the ledger?

- A credit bank account with \$51
- B credit postage account with \$20 and stationery account with \$31
- C debit cash account with \$51
- D debit postage account with \$20 and stationery account with \$31

5 Which business documents are **not** entered in the books of prime entry?

1. credit note
2. debit note
3. invoice
4. statement of account

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

6 A trader has the following ledger account.

heat and light account					
		\$			\$
year 1			year 1		
January 1	balance b/d	400	December 31	income statement	4850
December 31	bank	4200			
December 31	balance c/d	<u>250</u>			<u> </u>
		<u>4850</u>			<u>4850</u>
			year 2		
			January 1	balance b/d	250

What does the balance on 1 January, year 2 represent?

- A heat and light outstanding
- B heat and light refunded
- C overpayment of heat and light
- D prepayment of heat and light

7 Which statement about a trial balance is correct?

- A It is a list of the ledger balances on a particular date.
- B It is part of the double entry system of book-keeping.
- C It is proof that all items have been posted to the correct accounts.
- D It is proof that all transactions have been entered in the books of account.

- 8 Trevor prepared his financial statements for the year ended 31 December 2020. He then discovered that he had omitted to record a cash payment, \$240, for insurance for the 12 months ending 30 November 2021.

What was the effect of this error on his statement of financial position?

	cash	other receivables	capital
A	\$240 overstated	\$20 understated	\$220 overstated
B	\$240 overstated	\$220 understated	\$20 overstated
C	\$240 understated	\$20 overstated	\$220 understated
D	\$240 understated	\$220 overstated	\$20 understated

- 9 A payment of \$68 for insurance has been entered in the insurance account as \$86.

Which double entry will correct this?

	debit	credit
A	insurance \$18	suspense \$18
B	insurance \$36	suspense \$36
C	suspense \$18	insurance \$18
D	suspense \$36	insurance \$36

- 10 A business has received a bank statement. The bank statement shows the following entries.

1. a cheque issued to a credit supplier
2. a cheque received from a credit customer
3. a monthly rent payment made by standing order
4. charges made by the bank

Which items appear in the debit column of the bank statement?

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

- 11 On 31 May the bank statement of a business showed a positive bank balance of \$1790. Comparing the bank statement with the cash book the following items were discovered.

The bank had charged \$35 in error.

Unpresented cheques totalled \$550.

Uncredited deposits totalled \$250.

What was the cash book balance?

- A \$1455 B \$1490 C \$1525 D \$2125

- 12 What would **not** be included in a sales ledger control account?

- A cash sales recorded in the cash book
 B cheques received from credit customers recorded in the cash book
 C goods sold on credit recorded in the sales journal
 D irrecoverable debts written off recorded in the journal

- 13 Nadia provided the following information for the month of July.

	\$
1 July sales ledger control account balance debit	1750
credit	215
For the month of July: total of sales journal	5500
total of sales returns journal	360
cheques received from credit customers	4840
irrecoverable debt written off	280
interest charged on credit account	5

There was no credit balance on the account on 1 August.

What was the debit balance brought down on the sales ledger control account on 1 August?

- A \$1550 B \$1560 C \$1980 D \$1990

- 14** Samir runs a car hire business. He received cash payments for car hire. He also received the proceeds from the sale of an old vehicle.

Which type of receipts were they?

	car hire	proceeds from sale of an old vehicle
A	capital	capital
B	capital	revenue
C	revenue	capital
D	revenue	revenue

- 15** The following ledger account appeared in the books of a trader.

Rent receivable account					
		\$			\$
2020			2020		
Dec 31	balance c/d	600	Jan 1	balance b/d	400
			Dec 31	bank	3600

Which entry was made in the income statement for the year ended 31 December 2020 for rent receivable?

- A** \$3400 credit
B \$3400 debit
C \$3800 credit
D \$3800 debit
- 16** Mandeep depreciates his motor vehicles at the rate of 20% using the straight-line method. A full year's depreciation is provided in the year of purchase.

Mandeep bought a motor vehicle on 1 January 2017 for \$20 000. On 1 June 2020 he bought a second motor vehicle for \$10 000.

What was the depreciation charge on motor vehicles for the year ended 31 December 2020?

- A** \$2000 **B** \$4000 **C** \$5000 **D** \$6000

17 Why does a trader maintain a provision for doubtful debts?

1. to ensure amounts owing to the business for which payment is unlikely to be received are regarded as an expense
2. to ensure the trade receivables of the business are not overstated, by providing for debts which are unlikely to be paid
3. to identify credit customers who are not able to settle their accounts by the end of the financial year
4. to provide for the amounts from credit customers which are unpaid at the end of the financial year

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

18 Why is inventory valued at the lower of cost and net realisable value?

- A to avoid overstating current assets and sales
- B to avoid overstating profit and current assets
- C to avoid understating current assets and sales
- D to avoid understating profit and current assets

19 At the end of the financial year Cindy valued her inventory at cost. This valuation incorrectly included damaged goods costing \$300. Cindy estimated these goods could be sold for \$100.

What is the effect of **correcting** the inventory valuation?

	gross profit	profit for the year	current assets
A	decreases by \$200	decreases by \$200	decreases by \$200
B	decreases by \$300	decreases by \$300	decreases by \$300
C	increases by \$100	increases by \$100	increases by \$100
D	increases by \$200	increases by \$200	increases by \$200

20 Which business is **not** a service business?

- A accountant's practice
- B computer repair shop
- C flower shop
- D hairdressing salon

- 21** A trader was preparing her statement of financial position at 30 June 2021. She had four bank loans.

loan	date repayable	\$
1	1 December 2021	5 000
2	1 December 2022	10 000
3	1 September 2023	8 000
4	1 December 2025	6 000

What was the total amount of loans that should be recorded as non-current liabilities at 30 June 2021?

- A** \$14 000 **B** \$15 000 **C** \$23 000 **D** \$24 000
- 22** What is shown in a partnership appropriation account?
- A** the capital contributed by each partner
B the distribution of profit/loss among the partners
C the partners' current account balances
D the interest on a partner's loan account
- 23** Rajid and Sunil formed a partnership on 1 January 2019 but did not prepare a partnership agreement.

They provided the following information.

	Rajid	Sunil
capital introduced 1 January 2019	\$40 000	\$20 000
during the year ended 31 December 2019		
drawings	\$5 000	\$3 500
share of work	50%	50%

They decided to draw up a partnership agreement for future years.

Which item would be most beneficial to Rajid in 2020?

- A** interest on capital
B interest on drawings
C limit on annual drawings
D partnership salaries

24 A company supplied the following information.

	\$
issued and paid up share capital	300 000
general reserve	45 000
long-term bank loan	8 000
retained earnings	35 000
6% debentures	25 000

What is the total equity?

- A** \$335 000 **B** \$345 000 **C** \$380 000 **D** \$413 000

25 Which apply to both debentures and preference shares?

	no voting rights	fixed rate of return	included in capital employed
A	✓	✓	✓
B	✓	x	✓
C	x	✓	x
D	x	x	x

- 26** The AB Sports Club runs a café for the use of members.

The treasurer prepared draft financial statements which showed a deficit of \$700 and an accumulated fund of \$4600.

He then discovered that the closing inventory of the café had been overvalued by \$50.

How much were the deficit and the accumulated fund **after** the inventory valuation had been corrected?

	deficit \$	accumulated fund \$
A	650	4550
B	650	4650
C	750	4550
D	750	4650

- 27** Which accounting statement prepared by the treasurer of a sports club provides a summary of all the monies received and paid out during the financial year?

- A** bank reconciliation statement
- B** income and expenditure account
- C** receipts and payments account
- D** statement of financial position

- 28** At the end of the financial year, a manufacturing business owed rent on its factory. The business adjusted its financial statements to account for this.

What effects did this adjustment have?

	prime cost	cost of production	gross profit
A	decrease	decrease	increase
B	no effect	increase	decrease
C	no effect	no effect	decrease
D	increase	increase	decrease

29 What is a direct cost for a manufacturer?

- A** carriage outwards
- B** depreciation of delivery vehicle
- C** factory supervisor's salary
- D** production royalties

30 A business uses 20% mark up to arrive at its selling prices. During the year it made purchases of \$35 000 and the inventory decreased from \$7000 to \$2000.

What was the revenue for the year?

- A** \$36 000 **B** \$40 000 **C** \$42 000 **D** \$48 000

31 What is needed for the preparation of a statement of affairs?

- A** a trial balance
- B** an income statement
- C** books of prime entry
- D** values of assets and liabilities

32 A trader provided the following information.

	\$
cash purchases for the year	146 000
credit purchases for the year	108 000
trade payables at the year end	14 000

What was the trader's trade payables turnover?

- A** 6 days
- B** 13 days
- C** 21 days
- D** 48 days

33 George provided the following information.

	\$
non-current assets	15 000
inventory	12 000
trade receivables	18 000
trade payables	8 000

His liquid (acid test) ratio was 1.2 : 1.

What was his bank overdraft?

- A** \$7000 **B** \$15 000 **C** \$17 000 **D** \$29 500

34 The following ratios have been calculated for a trader.

	year 1	year 2
profit margin	15%	20%
return on capital employed (ROCE)	9%	6%

What explains these changes?

- A** Drawings have increased by more than profit for the year.
B Gross profit has increased but profit for the year has decreased.
C Profit for the year has increased and capital has been introduced.
D Profit for the year has increased and a long-term loan has been repaid.

35 William is a trader. He has received an order from James to supply goods on credit.

When should William regard the revenue as earned?

- A** when William accepts the order from James
B when William delivers the goods to James
C when William receives full payment for the goods from James
D when William receives the first payment on account from James

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