Cambridge Assessment International Education

Cambridge O Level

ACCOUNTING **7707/13**

Paper 1 Multiple Choice **October/November 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. Any blank pages are indicated.

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1 What is the purpose of measuring business profit and loss?

A to check the productivity of employees

B to consider the ability of the business to grow

C to determine how much cash is available

D to ensure that the inventory is not overstated

2 At the end of her first year of trading Zoe had $6500 in her business bank account.

Then she paid $5000 of her own money into the business bank account. She used $2000 of this amount to repay a business loan.

What effect would these transactions have on her assets, capital and liabilities?

	assets $	capital $	liabilities $
A	–3000	–5000	+2000
B	+3000	+5000	–2000
C	+3000	+3000	unchanged
D	+5000	+5000	unchanged

3 Which business document is used by a trader to record amounts deposited into the bank account?

A bank statement

B cheque counterfoil

C paying-in slip

D statement of account

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4 A trader kept a petty cash book using the imprest system.

He provided the following information.

		$
1 March	petty cash balance	80
	transfer from bank account to restore the imprest	170
31 March	petty cash payments	195
	petty cash expense refunded	10

How much was needed to restore the imprest on 1 April?

A $55 **B** $65 **C** $185 **D** $250

5 Sahil took goods from the business for his own use. These goods had a cost of $60 and a selling price of $100.

Which entry was made in the drawings account to record this withdrawal of goods?

A $60 credit

B $60 debit

C $100 credit

D $100 debit

6 What is an advantage of using a sales journal?

A It enables monthly totals to be posted to the sales ledger.

B It ensures that all credit sales are correctly recorded.

C It reduces the number of entries in the sales account.

D It shows the amount owed by credit customers at the month end.

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7 The following account appeared in the ledger of Eli.

Jacob account			
	$		$
June 1 balance b/d	220	June 4 bank	210
22 sales	400	discount	10
	___	30 balance c/d	400
	620		620

Which statement is correct?

A On 1 June Eli was owed $220 by Jacob.

B On 4 June Eli paid Jacob $210 by cheque.

C On 22 June Jacob sold goods to Eli for $400.

D On 30 June Jacob was owed $400 by Eli.

8 The totals of a trial balance agreed but it was found that the purchase of office equipment had been debited to office expenses account.

Which type of error has been made?

A commission

B compensating

C original entry

D principle

9 Mandy's trial balance failed to agree. The difference of $620 was placed in a suspense account. The suspense account's balance was shown on the debit side of the trial balance.

Which error had caused the difference?

A Discounts allowed of $310 had been credited to the discount received account.

B Discounts received of $310 had been credited to the discount allowed account.

C The value of closing inventory had been overstated by $620.

D The value of closing inventory had been understated by $620.

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10 Jane took cash drawings from the business. The amount was debited to the purchases account and credited to cash.

How did this error affect the profit for the year and the current assets in the financial statements?

	profit for the year	current assets
A	decrease	no effect
B	increase	no effect
C	no effect	decrease
D	no effect	increase

11 What is true about a bank statement?

1 It is a demand by the bank for repayment of an overdraft.

2 It shows a positive bank balance as a debit balance.

3 It shows transactions affecting the bank account in a given period.

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

12 On 30 June the bank column in Farad's cash book showed an overdrawn balance of $2000.

The following items had not been entered in the cash book.

	$
standing order for rent	200
interest on bank overdraft	50
credit transfer from X Limited	2900

What was the corrected balance of the bank column in the cash book at 1 July?

A $650 credit

B $650 debit

C $1150 credit

D $1150 debit

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13 What is an advantage of maintaining a purchases ledger control account?

A It detects errors of omission.

B It guarantees the accuracy of the ledgers.

C It prevents fraud.

D It shows how much is owed to suppliers.

14 Raj is both a customer of and a supplier to Balbir.

Raj's account in Balbir's sales ledger showed a debit balance of $300. There was a credit balance of $100 on Raj's account in Balbir's purchases ledger. A contra entry between the two accounts was agreed.

Which entry would Balbir make in his purchases ledger control account?

A credit $100

B credit $200

C debit $100

D debit $200

15 A limited company sells office equipment. The following amounts were recorded in the company's books of account.

1 cash received from disposal of motor vehicle $6000

2 cash received from issue of shares $9000

3 discount received $8000

4 rent received $5000

What was the total of the capital receipts of the company?

A $13 000 **B** $14 000 **C** $15 000 **D** $23 000

16 On 1 January 2023 Kate paid $400 for a two-year maintenance contract on her machinery starting on that date. In error this amount was debited to the machinery account.

Kate depreciates her machinery at the rate of 20% per annum.

What effect did the error have on Kate's profit for the year ended 31 December 2023?

A overstated by $80

B overstated by $120

C understated by $80

D understated by $120

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17 Why should a business depreciate its non-current assets?

A to charge the cost of an asset as an expense in the year of purchase

B to ensure that cash is available to replace the non-current assets

C to ensure the value of non-current assets is not understated

D to match capital expenditure against the revenue it has helped to earn

18 A trader had a credit balance on his heat and light account at the start of the financial year.

What does this balance represent?

A accrued income

B an accrued expense

C prepaid income

D a prepaid expense

19 Which statements about irrecoverable debts are correct?

1 They are an application of the historic cost principle.

2 They are debts which will not be paid by credit customers.

3 They increase the value of current liabilities.

4 They reduce the total value of trade receivables.

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

20 At the end of his financial year Raminder made an adjustment for rent owed to him by a tenant.

How did this affect Raminder's financial statements?

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

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21 What is a disadvantage of operating as a sole trader?

A Access to capital is restricted.

B Book-keeping records are more complex.

C Decisions may take longer to implement.

D The liability of the owner is limited.

22 John and Mark are in partnership. Profits and losses are shared in the ratio 3 : 2. John is entitled to an annual salary of $12 000. The profit for the year ended 31 August 2023 was $52 000.

How much would be credited to the partners' current accounts on 31 August 2023?

	John's current account $	Mark's current account $
A	24 000	16 000
B	26 000	26 000
C	31 200	20 800
D	36 000	16 000

23 Which statement correctly describes the effect of limited liability if a business fails?

A A shareholder can only lose the money they agreed to pay for their shares.

B A shareholder risks losing all their personal possessions.

C A sole trader can only lose the capital they have invested.

D A sole trader risks losing all their personal possessions.

24 At the start of the year, V Limited had $45 750 total equity, of which $10 750 was retained earnings.

At the year end, the company had transferred $1000 to general reserve, paid a dividend of $2800 and made a profit for the year of $4995.

What was the total equity at the end of the year?

A $36 195 **B** $46 945 **C** $47 945 **D** $48 945

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25 The treasurer of a sports club provided the following information.

	$
clubhouse and sports fields	250 000
sports equipment	80 000
cash at bank	12 000
bank loan	14 000
subscriptions accrued	2 800

What was the amount of the accumulated fund?

A $325 200 **B** $328 000 **C** $330 800 **D** $342 000

26 What will be included in a receipts and payments account of a social club?

1 cash payment for new furniture for the clubhouse
2 depreciation charged on the clubhouse furniture
3 outstanding subscriptions from the previous year received in the current year
4 subscriptions owed by members at the end of the current year

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

27 Thato is a manufacturer. His manufacturing account for the year ended 31 December showed that his work in progress had increased.

How did this affect the cost of production and the cost of sales?

	cost of production	cost of sales
A	decreased	decreased
B	decreased	no effect
C	increased	increased
D	increased	no effect

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28 A factory makes uniforms for school children.

What is **not** included in the calculation of prime cost in the factory's manufacturing account?

A cost of the cloth used to make the uniforms

B delivery costs of bringing the cloth to the factory

C wages of the drivers who deliver the completed uniforms to shops

D wages of the sewing machinists who make the uniforms

29 The average inventory of a business was $40 000. The rate of inventory turnover was 5 times a year. Mark-up was 20%.

What was the revenue for the year?

A $160 000 **B** $200 000 **C** $240 000 **D** $250 000

30 Shelley does not maintain a full set of accounting records but was able to provide the following information.

	$
sales for the year ended 31 August 2023 (80% of which were on credit)	97 500
amounts received from trade receivables during the year ended 31 August 2023	71 500
amount owing by trade receivables on 31 August 2023	14 000

How much was owed by the trade receivables on 1 September 2022?

A $6500 **B** $7500 **C** $12 000 **D** $20 500

31 Wayne provided the following information.

	$
non-current assets	110 000
current assets	25 000
current liabilities	15 000
profit for the year	23 000

What was the return on capital employed?

A 15.33% **B** 19.17% **C** 23.00% **D** 32.86%

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32 The trade payables turnover of a business is 36 days.

What do these 36 days represent?

A the average number of days before the business purchases further goods on credit

B the average number of days taken by the business to pay its credit suppliers

C the average number of days the business is allowed by credit suppliers to pay for goods

D the average number of days the business takes to sell goods purchased on credit

33 Paul's gross margin increased from 16.5% in year 1 to 17.5% in year 2.

What would explain the improvement in the gross margin?

A increasing the quantity of goods sold

B increasing the selling price of the goods sold

C offering trade discounts to customers buying in bulk

D selling goods at a reduced price

34 M Limited has made sure that its financial statements are comparable with those of previous years.

How does this affect interested parties?

A They are made aware of any changes in accounting policies.

B They can be sure that the information in the financial statements is up to date.

C They can understand the financial statements easily.

D They know that there are no significant errors in the financial statements.

35 Which accounting principle states that profit should be recognised when title to the goods passes to the customer?

A materiality

B money measurement

C prudence

D realisation

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