

ACCOUNTING

9706/13

Paper 1 Multiple Choice

October/November 2014

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

* 1 8 7 1 7 7 6 7 0 6 *



READ THESE INSTRUCTIONS FIRST

Write in soft pencil.

Do not use staples, paper clips, glue or correction fluid.

Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.

DO NOT WRITE IN ANY BARCODES.

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 separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.

Any rough working should be done in this booklet.

Calculators may be used.

This document consists of **11** printed pages and **1** blank page.

- 1 A business provides the following information.

	debit \$	credit \$
prepaid expenses	4 620	
accrued expenses		8 125
bank balances	14 920	3 612
trade payables		18 148
loan (10 years)		15 000

What is the total for current liabilities?

- A** \$26 273 **B** \$26 380 **C** \$29 885 **D** \$44 885
- 2 The provision for doubtful debts at 1 January 2013 was \$1580.
- Trade receivables at 31 December 2013 were \$44 750.
- An irrecoverable debt of \$12 500 had not been written off.
- The provision for doubtful debts was 5%.
- Which entry for doubtful debts was included in the income statement for the year ended 31 December 2013?
- A** credit \$32.50
B credit \$657.50
C debit \$32.50
D debit \$657.50
- 3 On 1 October 2011 a company purchased machinery for \$26 000. It was depreciated at a rate of 20% per annum using the reducing balance method.
- On 30 September 2013 the machinery was sold for \$12 000.
- What is the profit or loss on disposal?
- A** \$3600 loss **B** \$3600 profit **C** \$4640 loss **D** \$4640 profit

- 4 On 1 January a business has prepaid \$800 for four months' motor insurance. It has an outstanding invoice for fuel of \$140.

During January it pays the fuel invoice and a further \$600 for fuel.

At 31 January it has an outstanding fuel invoice of \$160.

What is the charge for motor expenses in the income statement for January?

- A** \$760 **B** \$960 **C** \$1100 **D** \$1560

- 5 A business values its inventory at the lower of cost and net realisable value.

Which accounting principle applies?

- A** matching
B materiality
C prudence
D substance over form

- 6 A business provides the following information.

	\$
cheque paid in 2013 for equipment bought in 2012	15 000
equipment purchased on credit in 2013	42 000
net book value of equipment at 1 January 2013	83 000
net book value of equipment at 31 December 2013	67 000

What was the depreciation charge in the income statement for the year ended 31 December 2013?

- A** \$16 000 **B** \$31 000 **C** \$43 000 **D** \$58 000

- 7 When preparing the financial statements for the year the following errors are discovered.

- 1 The sales journal was undercast by \$300.
- 2 No provision had been made for accrued wages of \$200.
- 3 No account had been taken of prepaid rent of \$400.

The draft profit for the year is \$8050.

What will be the profit when the errors are corrected?

- A** \$8150 **B** \$8550 **C** \$8750 **D** \$8950

- 8 The correction of which error would require a suspense account?
- A \$100 paid for vehicle repairs debited to the vehicles account
 - B a sales invoice for \$45 omitted from the sales journal
 - C drawings of \$60 debited to cash and credited to drawings
 - D the purchases journal overcast by \$150
- 9 The following items are recorded in the cash book of a business but not yet recorded in its bank statement.

	\$
cheques drawn	3000
amounts banked	250

The cash book shows a bank balance of \$2600 Cr.

What is the balance on the bank statement?

- A \$150 Cr
 - B \$150 Dr
 - C \$400 Cr
 - D \$400 Dr
- 10 Which group of items would appear on the credit side of a sales ledger control account?
- A contra, discount allowed, sales returns
 - B contra, discount received, dishonoured cheques
 - C discount allowed, dishonoured cheques, interest
 - D discount received, interest, sales returns
- 11 During the financial year a business paid its trade payables \$295 000 after taking a cash discount of \$15 000.

At the start of the year the trade payables balance was \$25 000. At the end of the year \$32 000 was owed to trade payables.

What was the amount of credit purchases made during the year?

- A \$288 000
- B \$302 000
- C \$303 000
- D \$317 000

- 12 Which rule does **not** apply in the absence of a partnership agreement?
- A interest on loans is charged at 6% per annum
 B no interest on capital is charged
 C no salaries are paid to partners
 D profits and losses are shared equally between the partners
- 13 How are subscriptions in arrears recorded in the statement of financial position for a club?
- A as a current asset
 B as a current liability
 C as a non-current asset
 D as a non-current liability
- 14 The following items appear in the subscriptions account of a club for a financial year.

	\$
subscriptions received owed from the previous year	3 080
subscriptions paid in advance for next year	1 050
subscriptions income transferred to the income and expenditure account	50 000
subscriptions outstanding at year end	2 000

How much cash was received from members in the year?

- A \$45 870 B \$50 000 C \$52 130 D \$56 130
- 15 The equity of a limited company is as follows.

	at 31 December 2012 \$	at 31 December 2013 \$
ordinary shares of \$0.50 each	400 000	400 000
7% preference shares of \$1 each	200 000	200 000
retained earnings	4 000	?

Profit for the year 2013 was \$300 000. Dividends paid in 2013 were as follows:

ordinary shares: \$0.20 per share

preference shares: half-year dividend

What were the retained earnings at 31 December 2013?

- A \$133 000 B \$144 000 C \$210 000 D \$217 000

- 16** A sole trader recovers a debt that had previously been written off as irrecoverable.

How is this accounted for in his income statement?

- A** credit in the profit and loss account
- B** credit in the trading account
- C** debit in the profit and loss account
- D** debit in the trading account

- 17** The following items appear in the books of a manufacturing company.

- 1 factory wages
- 2 maintenance of factory machinery
- 3 direct materials
- 4 interest on debenture secured on factory machinery
- 5 factory cleaners' wages

Which items would be included in factory overheads?

- A** 1 and 2
- B** 2 and 3
- C** 2 and 5
- D** 4 and 5

- 18** A business values its inventory using the FIFO method. The following transactions took place.

month		units		\$
April	opening inventory	700	at	190 each
May	purchases	500	at	220 each
June	sales	400	at	400 each

What is the value of the closing inventory at the end of June?

- A** \$152 000
- B** \$162 000
- C** \$167 000
- D** \$176 000

- 19** X is admitted to a partnership sharing 20% of its profits and losses. The goodwill of the firm is valued at \$30 000. X is to pay \$25 000 into the partnership.

What will be the balance on X's capital account after adjusting for goodwill?

- A** \$5000 Cr
- B** \$19 000 Cr
- C** \$25 000 Cr
- D** \$31 000 Cr

- 20 At the beginning of the financial year inventory was valued at \$15 000. During the year sales of \$21 000 and purchases of \$18 000 were made. Unfortunately, all inventory was stolen on the last day of the financial year.

Goods are marked up by 50% to calculate selling price.

What is the cost of the stolen inventory?

- A** \$7 500 **B** \$11 000 **C** \$19 000 **D** \$22 500

- 21 The table shows equity and liabilities of a company at 31 December 2013.

	\$
ordinary share capital	750 000
8% non-redeemable preference shares	250 000
6% debentures (2020)	150 000
bank loan repayable (2019)	75 000
bank overdraft	110 000
mortgage on buildings (repayable 2014)	120 000

What is the total of non-current liabilities in the statement of financial position at 31 December 2013?

- A** \$195 000 **B** \$225 000 **C** \$345 000 **D** \$595 000

- 22 The table shows an extract from the statement of financial position of a limited company at 30 June 2014.

	\$
4% debenture (2018 – 2019)	30 000
5% preference share capital	20 000
ordinary shares of \$1 each	80 000

The company declared a dividend of \$0.05 per share. This was paid on 31 March 2014.

What is the total amount of equity dividends paid for the year ended 30 June 2014?

- A** \$1 000 **B** \$4 000 **C** \$5 000 **D** \$6 200

23 A company has the following assets and liabilities.

current assets	\$	current liabilities	\$
inventory	55 000	trade payables	62 000
trade receivables	60 000	other payables	38 000
bank	40 000	non-current liabilities	
		10% debenture (2025)	40 000

What is the liquid (acid test) ratio?

- A** 0.714:1 **B** 0.967:1 **C** 1:1 **D** 1.55:1

24 A business has the following current assets and current liabilities.

	\$
trade receivables	6000
bank overdraft	1500
cash in hand	50
trade payables	5050

The only other item in the working capital is inventory.

The current ratio is 2:1.

What is the value of the inventory?

- A** \$2550 **B** \$4050 **C** \$5550 **D** \$7050

- 25** The following information has been extracted from the financial statements of a sole trader for the year ended 31 March.

	\$	\$
revenue		198 200
opening inventory	22 200	
purchases	86 900	
purchase returns	(2 600)	
carriage inwards	<u>1 400</u>	
	107 900	
closing inventory	<u>(25 300)</u>	<u>82 600</u>
gross profit		115 600

What is the inventory turnover for the year ended 31 March?

- A** 100 days **B** 105 days **C** 107 days **D** 112 days
- 26** A company has been asked to prepare a quotation to print 100 leaflets for a customer. The total cost of direct materials, direct labour and a share of overheads is \$820 and a profit of 25% on cost has been added.

This is an example of which costing method?

- A** absorption costing
B job costing
C marginal costing
D unit costing

- 27** A company manufactures one product. During the year it produced 1000 units. Total costs are as follows.

	\$
raw materials	?
production labour	18 000
factory supervisor	8 000
depreciation of equipment	3 000
rent	7 000
carriage inwards	1 000

Variable cost per unit was \$51.

What was the total cost of raw materials?

- A** \$21 000 **B** \$25 000 **C** \$32 000 **D** \$33 000
- 28** A product has a variable cost of \$50 and a selling price of \$80. Fixed costs are \$90 000. Budgeted sales are 8000 units.
- What is the margin of safety?
- A** 1800 units
B 3000 units
C 5000 units
D 6200 units
- 29** A business has sales of \$250 000, fixed costs of \$50 000 and a contribution / sales ratio of 30%.
- What is the profit?
- A** \$25 000 **B** \$60 000 **C** \$75 000 **D** \$200 000

30 The table shows a company's estimated sales.

	cash (\$)	credit (\$)
February	10 000	15 000
March	10 000	25 000
April	10 000	35 000

Trade receivables are expected to pay as follows:

60% in month following sale

40% in second month following sale

How much cash from sales is received in April?

- A** \$21 000 **B** \$25 000 **C** \$31 000 **D** \$45 000

