

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Advanced Subsidiary Level and Advanced Level

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ACCOUNTING 9706/12

Paper 1 Multiple Choice May/June 2013

1 hour

Additional Materials: Multiple Choice Answer Sheet

Soft clean eraser

Soft pencil (type B or HB is recommended)

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.

Do not use staples, paper clips, highlighters, 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 ON 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.



www.PapaCambridge.com 1 In the books of account of Y, how could a credit entry of \$500 in X's account have are

- **A** X bought goods from Y.
- **B** X returned goods to Y.
- C Y made a payment to X.
- **D** Y returned goods to X.

A business paid \$5750 during its trading year for advertising. Part of this amount included \$500 in respect of the next financial year.

Which effects would the correct treatment of the \$500 have on the financial statements?

| | profit for the year | net current assets |
|---|------------------------|-----------------------|
| Α | decrease | decrease |
| В | decrease | increase |
| С | increase | decrease |
| D | increase | increase |

3 A rents its building to B.

> At 31 December 2011, B owed \$4500 for rent. At 31 December 2012, B had paid \$3200 in advance. During the year A had received \$17100 in rental from B.

> What is the rental income to be shown in A's income statement for the year ended 31 December 2012?

- \$9400
- **B** \$15800
- **C** \$18400
- **D** \$24800

The draft financial statements of a business show a profit for the year of \$64 000 before taking account of the following.

- the reduction of the provision for doubtful debts by \$300 1
- the purchase of office stationery costing \$2400 which has not been entered in the records; only one sixth of this stationery was used by the year end

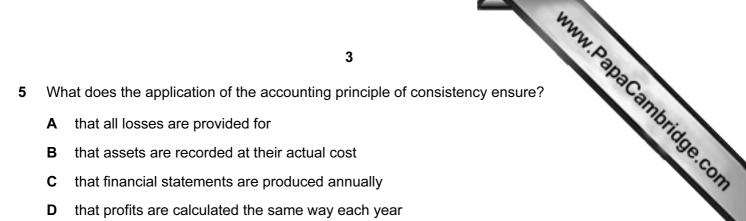
What is the corrected profit for the year?

A \$61900

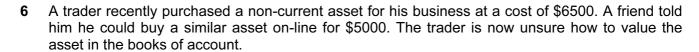
B \$63900

C \$64 100

D \$64300



- A that all losses are provided for
- that assets are recorded at their actual cost В
- C that financial statements are produced annually
- that profits are calculated the same way each year



Which principle should the trader apply?

- accruals
- **B** business entity
- C historical cost
- **D** materiality

7 At the financial year end of a business the following information is available.

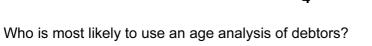
| | \$ |
|--|------|
| debit balance on the bank statement | 1000 |
| unpresented cheques | 300 |
| lodgements not yet credited by the bank | 600 |
| bank charges and interest charged not yet entered in the cash book | 150 |

What is the current balance in the cash book?

- A \$400 credit **B** \$400 debit С \$550 credit **D** \$550 debit
- 8 Which error would result in the creation of a suspense account?
 - A crediting the commission received account with rent received
 - В crediting the discounts allowed account with the discounts received
 - C debiting the bank interest paid account with bank interest received
 - debiting the petrol account with a purchase of a new car

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A cashier

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- **B** credit controller
- C sales ledger supervisor
- D sales manager
- **10** An error of reversal is made when recording the payment of a telephone bill for \$500.

Which journal entries are required to record the correction of this error?

| | debit | \$ | credit | \$ |
|---|-----------|------|-----------|------|
| Α | bank | 500 | telephone | 500 |
| В | bank | 1000 | telephone | 1000 |
| С | telephone | 500 | bank | 500 |
| D | telephone | 1000 | bank | 1000 |

- 11 What is included in the cost of production?
 - A advertising
 - B depreciation of office equipment
 - C distribution expenses
 - **D** rent of factory
- 12 The summarised statements of financial position for a business for two years are as follows.

| | year 1 | year 2 |
|--------------------------|---------|--------|
| | \$ | \$ |
| non-current assets | 9 000 | 12 000 |
| current assets | 6 0 0 0 | 8 000 |
| less current liabilities | (5000) | (6000) |
| net assets | 10 000 | 14 000 |

The drawings in year 1 were \$5000 and in year 2 \$3000.

What is the profit for year 2?

A \$1000

B \$4000

C \$5000

D \$7000

www.PapaCambridge.com 13 The wages of staff employed in manufacturing goods have been debited in the incom-

What is the effect of this error?

| | gross profit | profit for the year |
|---|--------------|---------------------|
| Α | overstated | no effect |
| В | overstated | overstated |
| С | understated | no effect |
| D | understated | understated |

14 During the year ended 31 December 2012 a business made a profit of \$31 000. A dividend of 8% was paid on the 200 000 ordinary shares of \$0.50 each, and \$12 000 was transferred to general reserve.

The retained earnings of the business on 31 December 2012 amounted to \$68000.

What was the balance of retained earnings on 1 January 2012?

A \$41000

B \$57000

\$65000

\$79000

15 X and Y have been in partnership for some years sharing profits in the ratio of 3:2. Z joins the partnership and introduces cash of \$40000. The profit-sharing will now be X - 40%, Y - 30% and Z - 30%. Goodwill is valued at \$60 000.

After joining the partnership, what is the balance of Z's capital account?

A \$18 000 credit

B \$22,000 debit

C \$22 000 credit

D \$40 000 credit

16 Which statement about a receipts and payments account is correct?

A Capital expenditure is not included.

В Figures are adjusted for prepayments and accruals.

Income appears on the debit side.

It is like an income statement for a limited company. D

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17 A business sells some inventory for \$80 on credit. This originally cost \$50.

How does this affect the statement of financial position?

| | current assets | owner's capital |
|---|------------------|-------------------|
| Α | decrease by \$30 | decreases by \$30 |
| В | decrease by \$30 | increases by \$30 |
| С | increase by \$30 | decreases by \$30 |
| D | increase by \$30 | increases by \$30 |

18 A vehicle is sold for \$1000. It had cost \$6000 and \$2800 depreciation had been provided on it.

What is the profit or loss on disposal?

- **A** loss \$2200
- **B** loss \$4200
- **C** profit \$2200
- **D** profit \$4200

19 A company has ordinary shares of \$1 each. Each year it pays a dividend of 10% of the nominal value of the shares.

It now wishes to raise a further \$120000 by an issue of shares. This would bring in additional profit of \$10000 and dividends paid would increase by \$2500 a year.

At which price should the company issue the new shares to maintain the percentage of dividend?

- **A** \$1.00
- **B** \$1.20
- **C** \$1.60
- **D** \$4.80

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20 An extract from a statement of financial position is as follows.

| | \$ |
|------------------------|--------|
| ordinary share capital | 50 000 |
| general reserve | 10 000 |
| retained earnings | 4 000 |
| 10% debentures | 20 000 |

What is the value of the shareholders' funds?

- **A** \$50 000
- **B** \$54 000
- **C** \$64 000
- **D** \$80 000

Which statement explains the change?

- Customers took advantage of cash discounts.
- В Profit margins have improved.
- C Several major customers suffered cash flow problems.
- D The company entered into a debt factoring arrangement.
- **22** A company's financial statements show the following.

| | \$ |
|------------------------|---------|
| profit from operations | 160 000 |
| finance charges | 40 000 |
| ordinary share capital | 500 000 |
| retained earnings | 250 000 |
| debentures | 300 000 |

What is the return on capital employed?

- **A** 15.2%
- 16%
- 21.3%
- **D** 24%
- 23 The following information has been taken from a statement of financial position.

| | \$ |
|----------------------|---------|
| non-current assets | 150 000 |
| capital and reserves | 170 000 |
| current liabilities | 5000 |

What is the current ratio?

- **A** 3:1
- **B** 4:1
- **C** 5:1
- **D** 6:1

© UCLES 2013 [Turn over 24 A company has ordered a new machine, to be delivered in six months. In the sh machine hours will be a limiting factor. It has made the following calculations.

| pany has ordered a new maching e hours will be a limiting factor. It | • | | nths. In the shations. | Mar |
|---|-----------|-----------|------------------------|------|
| | product X | product Y | product Z | Tage |
| contribution per unit made | \$24 | \$12 | \$20 | COM |
| machine hours used per unit | 6 | 1 | 2 | |

What will be the most profitable ranking order for production?

- **A** $X \rightarrow Y \rightarrow Z$
- $\textbf{B} \quad X \to Z \to Y$
- $\mathbf{C} \quad \mathbf{Y} \to \mathbf{Z} \to \mathbf{X}$
- $\textbf{D} \quad Z \to Y \to X$

25 The following data is available for the production department of a manufacturing company. Overheads are absorbed on a direct labour hour basis.

| | direct labour hours | total overhead costs \$ |
|----------|------------------------|-------------------------------|
| budgeted | 96 000 | 242 880 |
| actual | 97 600 | 253 760 |

What is the over or under absorption of overheads for the period?

- A \$6832 over absorbed
- **B** \$6832 under absorbed
- C \$10 880 over absorbed
- \$10 880 under absorbed

26 The following information applies to a business.

| output (units) | sales \$ | profits \$ |
|-------------------|-------------|---------------|
| 375 | 750 000 | 100 000 |
| 500 | 1 000 000 | 250 000 |

What is the contribution to sales ratio?

- **A** 25%
- **B** 40%
- **C** 50%
- **D** 60%

27 A business produces one product.

www.PapaCambridge.com The following details are available for the budgeted production of 150 000 units.

| | \$ |
|------------------------|------|
| selling price per unit | 1.20 |
| variable cost per unit | 0.70 |
| fixed cost per unit | 0.20 |

What is the break-even point in sales value?

- **A** \$30 000
- \$60000
- \$72000
- \$180000

28 A business provides the following information.

| month | number of machine hours | overheads \$ |
|-------|-------------------------|-----------------|
| April | 34 000 | 493 000 |
| May | 67 000 | 625 000 |

The variable overhead rate per machine hour was \$4.

What was the monthly fixed overhead cost?

- **A** \$132000
- \$136000
- \$268 000
- \$357000

29 Which business would use a job costing system of accounting?

- A a chocolate factory
- B a dairy milk farmer
- C a house builder
- **D** an oil refinery

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- **30** A company plans to make the following payments in June 2014.
 - an insurance premium for the 12 months from 1 July 2014
- www.PapaCambridge.com the payment for equipment to be delivered in April 2014 and which will so 2 production in May 2014

In which months will these appear in the cash budget for 2014?

| | 1 | 2 |
|---|------|-------|
| Α | June | April |
| В | June | June |
| С | July | April |
| D | July | May |

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