
ACCOUNTING

9706/13

Paper 1 Multiple Choice

May/June 2017

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, 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 company decided not to capitalise the purchase of a stapler for use in its office.

Which accounting concept was the company applying?

- A consistency
- B duality
- C materiality
- D prudence

- 2 A trader had the following transactions in March 2017.

| | \$ |
|-------------------------------------------------------|--------|
| cash sales for the month | 6 900 |
| credit sales invoiced in March | 46 200 |
| credit sales in March not yet invoiced | 800 |
| customer orders received on 31 March | 1 200 |
| goods sent to a customer on 1 March on sale or return | 1 400 |

What is the amount of revenue to appear in the income statement for March 2017?

- A \$53 100 B \$53 900 C \$54 500 D \$55 700

- 3 Which statements explain why depreciation might be charged on a non-current asset?

- 1 An asset could be subject to obsolescence.
- 2 The actual future disposal proceeds could differ from the estimated residual scrap value.
- 3 The estimated future replacement cost could differ from the original purchase price.

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

- 4 A trader bought a machine on 1 January 2015. He depreciated it at the rate of 10% per annum using the straight-line method, and he sold it on 1 January 2017 for \$4000. The profit on disposal was \$200.

How much had the machine cost on 1 January 2015?

- A \$4560 B \$4750 C \$5040 D \$5250

- 5 The following information relates to non-current assets.

| | \$ |
|------------------------------------|--------|
| net book value at 1 January 2016 | 20 000 |
| net book value at 31 December 2016 | 18 000 |
| receipts from disposals | 3 500 |
| assets bought | 9 700 |
| loss on disposal | 650 |

What is the depreciation charge for the year?

- A** \$3550 **B** \$4200 **C** \$7550 **D** \$8200

- 6 The purchases ledger control account had a closing balance of \$20 000. Purchases returns of \$1500 had been entered on the wrong side of the control account.

What was the correct balance?

- A** \$17 000 **B** \$18 500 **C** \$21 500 **D** \$23 000

- 7 The cash book of a business shows a debit balance of \$4200 at 30 April. A direct debit payment of \$200 for insurance appeared on the bank statement but had not yet been entered in the cash book.

A cheque paid to a supplier, correctly entered as \$650 in the cash book, appeared as \$690 on the bank statement.

What is the value of bank shown in the statement of financial position at 30 April?

- A** \$3960 **B** \$4000 **C** \$4360 **D** \$4400

- 8 A bookkeeper prepared a sales ledger control account.

The following errors were then discovered.

- 1 An invoice posted to an individual customer's account had been recorded as \$95 instead of \$59.
- 2 The total of receipts from customers had been undercast by \$200.
- 3 Discount received from suppliers had been included in the control account.
- 4 A provision for doubtful debts had been included in the control account.

Which errors would result in the closing balance on the control account failing to agree with the total of the customers' account balances?

- A** 1, 2, 3 and 4
B 1, 2 and 3 only
C 1 and 4 only
D 3 and 4 only
- 9 A business maintains a mark-up of 40%. The following information was available for the year.

| | \$ |
|--------------------|---------|
| revenue | 280 000 |
| inventory at start | 44 000 |
| purchases | 175 000 |

What was the value of closing inventory?

- A** \$19 000 **B** \$37 000 **C** \$51 000 **D** \$69 000
- 10 A business does not include a prepayment for rent receivables in its financial statements at the end of the year.

Which effects does this have?

| | current assets | current liabilities | profit for the year |
|----------|----------------|---------------------|---------------------|
| A | no effect | overstated | understated |
| B | no effect | understated | overstated |
| C | overstated | no effect | overstated |
| D | understated | no effect | overstated |

11 The following is an extract from the trial balance of a business at 31 May 2017.

| | \$ |
|------------------------------|--------|
| trade receivables | 72 000 |
| provision for doubtful debts | 3 250 |

A customer owing \$5000 has been declared bankrupt. The provision for doubtful debts is to be maintained at 5% of trade receivables.

Which amount should be included in the financial statements at 31 May 2017?

| | income statement (expense) \$ | statement of financial position (current assets) \$ |
|----------|-------------------------------------|-----------------------------------------------------------|
| A | 3 350 expense | 63 650 |
| B | 3 350 expense | 66 900 |
| C | 5 100 expense | 63 650 |
| D | 5 100 expense | 66 900 |

12 Where should a partner's drawings be recorded?

- A** appropriation account
- B** income statement
- C** partner's capital account
- D** partner's current account

13 L and M are in partnership. Their profit and loss appropriation account shows the following.

| | L \$ | M \$ | total \$ |
|------------------------------|---------|---------|-------------|
| interest on capital | 1 600 | 1 800 | 3 400 |
| interest charged on drawings | 500 | 400 | 900 |
| partners' salaries | 2 000 | 3 000 | 5 000 |
| share of profit | 8 000 | 12 000 | 20 000 |

What is the profit for the year before appropriations?

- A** \$17 500
- B** \$22 500
- C** \$27 500
- D** \$29 300

- 14** X and Y were in partnership sharing profits equally. Z became a partner and all three partners shared profits equally.

Goodwill was valued at \$90 000. No goodwill account is to be retained in the books of account.

Which statement describes the effect on capital accounts when Z was admitted?

- A** The capital accounts of X and Y increase by \$15 000 each, the capital account of Z will reduce by \$30 000.
- B** The capital accounts of X and Y increase by \$30 000 each.
- C** The capital accounts of X and Y increase by \$45 000 each.
- D** The capital account of Z reduces by \$90 000.

- 15** A company has a debenture (2020).

Which description of this is correct at 31 December 2016?

- A** a current liability with a fixed rate of interest
- B** a current liability with a variable rate of interest
- C** a non-current liability with a fixed rate of interest
- D** a non-current liability with a variable rate of interest

- 16** A limited company made the following issues of shares.

bonus issue of 20 000 ordinary shares of \$0.50 each

rights issue of 10 000 ordinary shares of \$0.50 each at a price of \$0.75 each

By how much did the issues increase the equity of the company?

- A** \$5000 **B** \$7500 **C** \$15 000 **D** \$17 500

- 17** What would **not** be included in a statement of changes in equity for a limited company?

- A** dividends paid
- B** issue of ordinary share capital
- C** profit for the year
- D** repayment of a debenture

- 18 The following items appear on a statement of financial position.

| | \$ |
|------------------------------|--------|
| inventory | 20 000 |
| balance at bank | 2 000 |
| cash in hand | 1 500 |
| trade payables | 11 000 |
| provision for doubtful debts | 500 |

The current ratio is 3 : 1.

How much do the trade receivables owe?

- A** \$9500 **B** \$10 000 **C** \$12 000 **D** \$12 500

- 19 A company's financial statements show the following.

| | \$ |
|--------------------|---------|
| sales | 570 000 |
| cost of goods sold | 210 000 |
| operating expenses | 65 000 |
| non-current assets | 250 000 |
| capital employed | 310 000 |

What is the non-current asset turnover?

- A** 1.18 times **B** 1.24 times **C** 1.44 times **D** 2.28 times

- 20 The manufacture of product X incurs a specific cost. Data relating to this is as follows.

| | | |
|----------------|------|------|
| units produced | 6000 | 9000 |
| cost per unit | \$3 | \$2 |

Of which cost is this an example?

- A** fixed
B semi-variable
C stepped
D variable

- 21 A business values inventory using the AVCO method. The following information is available.

| | |
|----------|--------------------------------------|
| August 1 | inventory of 6 units at \$14.40 each |
| 4 | purchased 9 units at \$18.40 each |
| 6 | sold 5 units at \$20.20 each |

What was the cost of the goods sold?

- A \$72 B \$84 C \$92 D \$101
- 22 The labour costs of a company are based on hours worked plus a bonus scheme. The production workers all earn the same rate and bonus.

The daily rate is \$6 per hour for an 8-hour day, 5 days per week.

The bonus is based on the number of units produced above 2000 units in a week at a rate of \$2 per 100 units.

In one week each worker produces 2600 units. All workers work the full number of hours.

What will be the week's gross wage for **one** worker?

- A \$240 B \$252 C \$292 D \$304
- 23 Actual production is less than forecast production.

Which cost is higher than forecast?

- A fixed cost per unit
 B total fixed cost
 C total variable cost
 D variable cost per unit

24 The following information is available for a business.

| | |
|------------------------------|-----------|
| budgeted sales per month | 500 units |
| selling price per unit | \$30 |
| variable cost per unit | \$24 |
| budgeted monthly fixed costs | \$600 |

The business plans to rent a machine which will increase monthly fixed costs to \$2400 and reduce variable costs to \$18 per unit.

What will be the effect on the margin of safety of the business?

- A** increase by 100 units
- B** increase by 150 units
- C** reduce by 100 units
- D** reduce by 150 units

25 The following information concerning a product is available.

| | \$ per unit |
|---------------------------|-------------|
| selling price | 10.00 |
| variable labour costs | 3.50 |
| production material costs | 2.50 |
| break-even point | 2500 units |

What is the total fixed cost?

- A** \$10 000
- B** \$15 000
- C** \$16 250
- D** \$18 750

26 The data shows the budget of a small manufacturing company.

| | | |
|--------------------------|--------|--------|
| sales in units | 6 000 | 12 000 |
| | \$ | \$ |
| direct materials | 18 000 | 36 000 |
| direct labour | 6 000 | 12 000 |
| production overheads | 33 000 | 45 000 |
| administrative overheads | 27 000 | 27 000 |

The units are sold for \$16 each.

What is the break-even point in units?

- A** 2700 **B** 3000 **C** 4000 **D** 4800

27 A company uses direct labour hours to calculate the overhead absorption rate.

What results in over-absorption?

- 1 actual overheads exceed budgeted overheads
- 2 actual overheads are less than budgeted overheads
- 3 budgeted production is greater than actual production
- 4 budgeted production is less than actual production

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

28 A company's limiting factor is production materials. It manufactures three different products.

Which product should it manufacture first in order to maximise profits?

- A** the product making the highest contribution per kilo of materials
B the product making the highest number of unit sales
C the product making the most contribution per unit
D the product using the least materials per unit

29 The following information has been provided for the year.

| | \$ |
|-------------------------------|---------|
| sales | 400 000 |
| variable costs | 240 000 |
| total contribution | 160 000 |
| fixed administrative expenses | 90 000 |
| fixed selling expenses | 50 000 |
| profit for the year | 20 000 |

The company plans to increase the selling price by 10%.

By how much will profit for the year increase?

- A** 10% **B** 55% **C** 80% **D** 200%

30 Which is **not** a function of a budget?

- A** helping maintain accurate double entry accounts
B helping monitor and control operations
C providing a financial plan for the business
D providing a way to allocate resources

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