GradeMax

www.PapaCambridge.com

Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **May/June 2015**

1 hour

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

8887630075

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 **10** printed pages and **2** blank pages.

© UCLES 2015

CAMBRIDGE International Examinations

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

1 Which entries are required to show a decrease in the existing provision for doubtful de

	debit	credit
A	bad debts account	provision for doubtful debts account
B	income statement	provision for doubtful debts account
C	provision for doubtful debts account	bad debts account
D	provision for doubtful debts account	income statement

2 A trader, whose year end was 31 December 2014, paid business rates of $3000 on 1 November 2014. The business rates were for the six months ending 31 March 2015, but no adjustment had been made for the prepayment.

Which effect does this omission have on the profit for the year?

A overstated $1500

B overstated $2000

C understated $1500

D understated $2000

3 Closing inventory of $5000 at 31 December 2014 has been incorrectly entered in the financial statements as $3000.

How does this affect the financial statements at 31 December 2014?

	profit for the year	net assets
A	no effect	understated
B	overstated	overstated
C	understated	no effect
D	understated	understated

© UCLES 2015

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

4 Jasmine makes purchases from X Limited and also sells goods to X Limited. At t[illegible]d Jasmine owes X Limited $500 and X Limited owes Jasmine $750.

What are the correct entries in Jasmine's books of accounts to contra (offset) these amounts?

	purchases ledger control account $	sales ledger control account $
A	250	250
B	500	500
C	750	500
D	750	750

5 The following information is available at the end of the financial year.

	$
net assets	850 000
drawings	47 300
loss for the year	135 600

What is the value of capital at the start of the year?

A $667 100 **B** $761 700 **C** $938 300 **D** $1 032 900

6 A company has two departments, X and Y. The following data is available for the year.

Sales for the two departments are $25 000 and $35 000 respectively.

Both departments apply the same mark up and total gross profit amounts to $24 000.

Expenses are split 55% to X and 45% to Y.

Total profit for the year amounts to $8000.

What is department X's profit for the year?

A $1200 **B** $2800 **C** $5200 **D** $6800

© UCLES 2015

[Turn over

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

7 An analysis of the cash account for a sole trader showed the following for the year.

	$
capital introduced	300
cash takings banked	125 000
expenses paid	31 200
drawings	2 600
cash in hand at year-end	100

There were no credit sales.

What was the revenue for the year?

A $158 500 **B** $158 600 **C** $159 100 **D** $159 200

8 A business had the inventory receipts as shown.

1 April	2000 litres at $4.00 per litre
2 April	1000 litres at $5.50 per litre

There was no opening inventory.

On 3 April 2500 litres were issued to production.

What is the value of the issue to production using FIFO?

A $2 250 **B** $2 750 **C** $10 750 **D** $11 250

9 The following figures have been extracted from the financial statements of a business.

	$
trade receivables	45 000
provision for doubtful debts	2 000
bad debts from previous year written off	1 000

The trade receivable days were 71.1 days.

What was the figure of credit sales for the year to the nearest dollar?

A $215 612 **B** $220 745 **C** $231 013 **D** $241 280

© UCLES 2015

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

10 Which item incorrectly applies the matching principle?

A capitalising staff expertise and writing it off over the working life of the staff

B including a value for unused stationery in statement of financial position

C providing for doubtful debts in the year the sales took place

D recording telephone costs incurred but not yet billed

11 The following information has been taken from a summarised statement of financial position.

	$
non-current assets	175 000
current assets	45 000
current liabilities	?
100 000 ordinary shares of $1 each	100 000
share premium	65 000
retained earnings	35 000

What is the value of the current liabilities?

A $20 000

B $55 000

C $70 000

D $120 000

12 A trader buys and sells two products for cash. The following information is available.

	product X $	product Y $
carriage outwards	3 700	–
goods taken for own use at cost	–	2 500
payments to suppliers	44 500	38 200
discount received	900	–

What is the total value of ordinary goods purchased?

A $80 200 **B** $81 100 **C** $83 600 **D** $84 800

© UCLES 2015

[Turn over

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

13 Which item appears as a credit entry in the appropriation account of a partnership?

A goodwill

B interest on capital

C partnership salaries

D profit for the year

14 Alice and Bharti have been in partnership sharing profits and losses in the ratio of 3 : 2. The balances on the partners' capital accounts at 31 December 2014 are shown.

	$
Alice	32 000
Bharti	18 000

The partners decided to share profits and losses equally with effect from 1 January 2015. There was no goodwill account in the books. Goodwill is valued at $30 000 and is not to be retained in the books of account.

What is the balance on Alice's capital account after the adjustment for goodwill?

A $15 000 **B** $18 000 **C** $35 000 **D** $50 000

15 The following relates to subscriptions of a club for the year ended 31 March 2015.

	$
income credited to income and expenditure account	50 000
in arrears at the start of the year	400
in arrears at the end of the year	700
paid in advance at the start of the year	1 300
paid in advance at the end of the year	2 200

What is the amount of subscriptions received from members during the year?

A $48 800 **B** $49 400 **C** $50 600 **D** $51 200

16 How is any premium on an issue of shares treated?

A added to a capital reserve

B added to a revenue reserve

C deducted from a capital reserve

D deducted from a revenue reserve

© UCLES 2015

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

17 The following statement describes a type of preference share.

'Shareholders are entitled to a fixed annual dividend with any unpaid dividends being paid from future profits'.

Which type of preference share does it describe?

A cumulative

B non-cumulative

C participating

D redeemable

18 Why does a business have a higher gross profit margin than its rivals?

A Its rivals pay less for goods.

B Its rivals pay more for goods.

C Its rivals spend less on advertising.

D Its rivals spend more on advertising.

19 How is mark up calculated?

A gross profit / cost of sales × 100

B gross profit / revenue × 100

C profit for the year / cost of sales × 100

D profit for the year / revenue × 100

20 A business has a gross profit ratio (margin) of 40%, and a net profit ratio (percentage) of 10%. The business has significant fixed costs.

Sales volume increases by 8%. How will the ratios be affected?

	gross profit ratio (margin)	net profit ratio (percentage)
A	increase	decrease
B	increase	increase
C	unchanged	decrease
D	unchanged	increase

© UCLES 2015

[Turn over

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

21 Petra supplies goods on credit to Ashy Limited.

What is Petra's main interest in considering Ashy Limited's financial statements?

A to discover its historic trend in profitability

B to establish its level of liquidity

C to examine its capital structure

D to find out about its dividend payments

22 A manufacturing business has the following costs

1 carriage inwards

2 depreciation of factory machinery

3 insurance of machinery

4 machine operators' wages

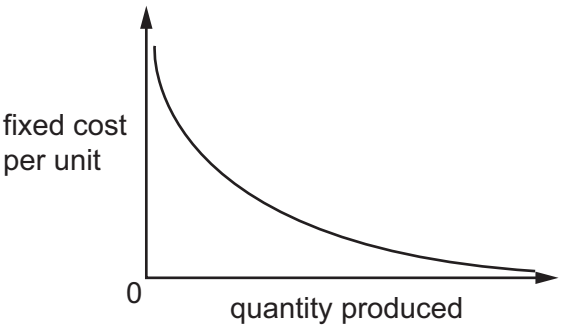
5 raw material costs

Which items make up factory overhead?

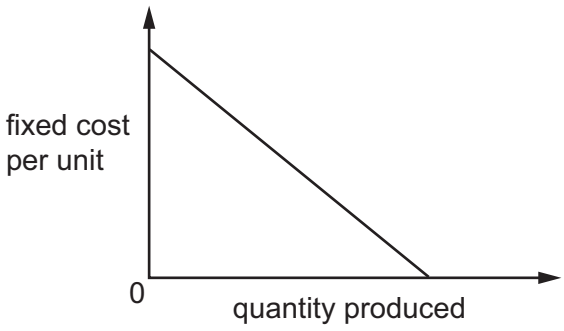
A 1 and 2 **B** 2 and 3 **C** 2 and 4 **D** 3 and 5

23 Which graph shows the fixed cost per unit produced in a manufacturing process?

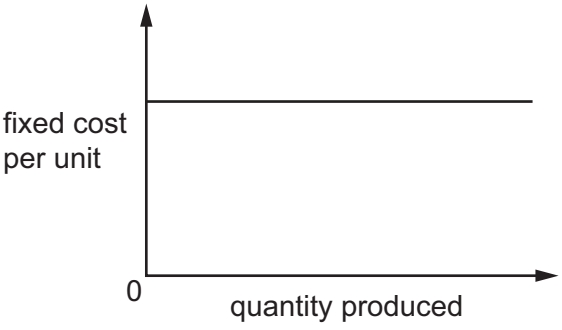
A



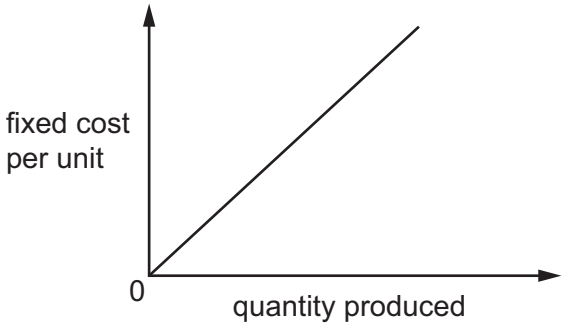
B



C



D



© UCLES 2015

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

24 Actual output for a business is higher than budgeted output.

Which costs will still be the same as budgeted?

1 fixed cost per unit

2 total fixed cost

3 total variable cost

4 variable cost per unit

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

25 A business has an activity level below budget and fixed overhead expenditure below budget.

Do these result in an under absorption of fixed overhead?

	activity below budget	expenditure below budget
A	no	no
B	no	yes
C	yes	no
D	yes	yes

26 A trader decides to manufacture a product rather than buy it from a supplier.

Which statement about the buying-in price is correct?

A It is more than fixed cost of producing the product

B It is more than semi-variable cost of making the product

C It is more than total cost of making the product

D It is more than variable cost of producing the product

27 A company has been asked to quote a price for a specific job. Estimated costs are as follows.

	$
direct materials	2000
direct labour	3300

Overheads are charged at 50% of labour cost.

Profit is 20% of the total job cost.

What is the total of the quotation for the job?

A $5300 **B** $6360 **C** $6950 **D** $8340

© UCLES 2015

[Turn over

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

28 A business had the following results in April and May.

	April	May
units produced and sold	1000	1200
total revenue	$50 000	?
total contribution	$22 000	?
total profit	$8 000	$10 500

The selling price per unit remained constant.

What was the change in the variable cost per unit?

A decrease $0.75

B decrease $1.59

C increase $0.75

D increase $1.59

29 A company has the following budget.

	$
revenue	1 000 000
contribution	550 000
fixed production costs	275 000
fixed non-production costs	55 000

What is its budgeted break-even revenue?

A $220 000 **B** $275 000 **C** $500 000 **D** $600 000

30 Which item will **not** appear in a cash budget?

A bad debt written off

B loan interest

C repayment of bank loan

D utility expenses

© UCLES 2015

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

BLANK PAGE

© UCLES 2015

PAPA CAMBRIDGE

GradeMax

www.PapaCambridge.com

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2015

PAPA CAMBRIDGE