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Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/13**

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)

8386255606

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.

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1 Which item should be treated as capital expenditure?

A the cost of a printer for an existing computer system

B repair costs to a car which are not covered by insurance

C rent paid on a factory, whilst the company negotiated the purchase of the factory

D the replacement of a wooden fence with a new fence

2 A trader depreciates fixtures and fittings at the rate of 10% a year on cost. On 1 January 2014 a purchase of new fixtures and fittings, $5000, was posted to the advertising account in error.

What was the effect of this error on the trader's capital account on 31 December 2014?

A overstated $4500

B overstated $5000

C understated $4500

D understated $5000

3 Non-current assets of a company were as follows.

	start of year $	end of year $
at cost	460 000	505 000
accumulated depreciation	215 000	237 000
net book value	245 000	268 000

During the year non-current assets costing $92 000 were purchased and non-current assets with a net book value of $16 000 were sold.

What was the depreciation charge for the year?

A $22 000 **B** $23 000 **C** $53 000 **D** $69 000

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4 A business provides the following information.

	trade receivables $	provision for doubtful debts $
31 December 2013	46 200	1386
31 December 2014	43 100	1724

Which statement must be correct?

A The rate of provision for doubtful debts has decreased.

B The rate of provision for doubtful debts has increased.

C The value of bad debts incurred has decreased.

D The value of bad debts incurred has increased.

5 The following information relates to a manufacturing business.

	$
factory overheads	590 000
prime cost	2 000 000
work in progress at start of year	83 000
work in progress at end of year	65 000

What was the cost of production?

A $1 392 000 **B** $1 428 000 **C** $2 572 000 **D** $2 608 000

6 A summary of a trader's bank statements for his first year of trading showed the following amounts.

	$
receipts from credit customers	25 000
takings from cash sales banked	82 000

The trader took $2000 a month from takings as drawings before banking them. Trade receivables at the year end amounted to $9500.

What was total revenue for the year?

A $73 500 **B** $92 500 **C** $121 500 **D** $140 500

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7 A business uses the AVCO method of inventory valuation.

When is the average cost per unit calculated?

A when the cost price decreases

B when the cost price increases

C when units are issued

D when units are received

8 A business maintains control accounts as part of its double entry system.

Which error would cause an entry in the suspense account?

A A page total from the purchases journal was posted as $9780 rather than the correct figure of $9870.

B Carriage outwards is credited to the carriage outwards account but correctly accounted for in the cash book.

C Discounts allowed are debited to the discounts allowed account and credited to the purchases ledger control account.

D Repairs to a vehicle are debited to the vehicles account.

9 An electricity accrual of $375 was treated as a prepayment in preparing a trader's income statement.

What was the effect on profit?

A overstated by $375

B overstated by $750

C understated by $375

D understated by $750

10 The following information is taken from the rent account of a business.

	$
rent prepaid at the beginning of the year	1 400
rent paid during the year	13 900
rent accrued at the end of the year	800

What is the rent expense for the year?

A $11 700 **B** $13 300 **C** $14 500 **D** $16 100

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11 A business has the following assets and liabilities at the start of the year.

a motor car valued at $2500

inventory which cost $4000 with a sale value of $5800

bank overdraft of $500

a loan to a friend from the business bank account $1000

What is the capital account balance at the start of the year?

A $5000 **B** $7000 **C** $8000 **D** $8800

12 A business buys a non-current asset and decides to apply the straight-line method of depreciation. The accountant forgets to include an estimate of scrap value in the calculation.

Which statements are correct?

1 The annual depreciation charge is too high.

2 The annual depreciation charge is too low.

3 There is likely to be a loss on disposal in the future.

4 There is likely to be a profit on disposal in the future.

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

13 What will increase profit?

A increasing depreciation rates

B increasing the general reserve

C increasing the provision for doubtful debts

D increasing the value of closing work-in-progress

14 The provisions of the Partnership Act apply if partners do **not** draw up a partnership agreement.

Which statement is true as a provision of the Partnership Act?

A Interest on drawings is charged at 5% a year.

B Interest on loans from partners is to be at 8% a year.

C Partners are not entitled to salaries.

D Profits are to be shared in the ratio of fixed capitals.

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15 Adil and Bashir are in partnership sharing profits and losses in the ratio 2 : 1.

Chandra joins the partnership and profits and losses are now to be shared between Adil, Bashir and Chandra in the ratio 3 : 2 : 1.

The balances of the partners' capital accounts prior to the introduction of Chandra are as shown.

	$
Adil	20 000
Bashir	10 000

Goodwill is to be valued at $36 000 and is not to be retained in the books of account.

What is the balance on Adil's capital account after the introduction of Chandra?

A $20 000 **B** $26 000 **C** $38 000 **D** $44 000

16 The table shows the assets and liabilities of a club.

	$
non-current assets	10 000
cash at bank	6 400
electricity owing	600
rent prepaid	900
subscriptions:	
in arrears	5 700
in advance	3 800

How much is the accumulated fund?

A $14 200 **B** $14 800 **C** $18 000 **D** $18 600

17 A company issues 100 000 ordinary shares of $1 each at a premium of $2. The market value is $4 per share.

Which statement is **not** correct?

A Capital reserves increase by $200 000.

B Funds available increase by $300 000.

C Ordinary share capital increases by $100 000.

D Revenue reserves increase by $400 000.

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18 A business provides the following information.

	$
revenue	600 000
raw materials purchased	400 000
trade payables	40 000
trade receivables	50 000

90% of revenue is from credit sales.

80% of purchases are on credit terms.

How long, to the nearest day, does the business take to pay suppliers who give it credit?

A 31 days **B** 34 days **C** 37 days **D** 46 days

19 A trader provides the following information for the year.

inventory 1 January	$15 125
inventory 31 December	$22 185
ordinary goods purchased	$65 500
gross profit % on sales	25%

What is the value of sales for the year?

A $73 050 **B** $77 920 **C** $90 700 **D** $96 747

20 A business provides the following information.

	$
opening inventory	15 000
purchases	120 000
closing inventory	(25 000)
	110 000

What is the rate of inventory turnover?

A 4.4 times

B 4.8 times

C 5.5 times

D 6.0 times

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21 A business provides the following information about its rate of inventory turnover.

year 1 10 times

year 2 8 times

The selling price per unit has remained constant.

Which statements are correct?

1 Inventory of goods has decreased in relation to units sold.

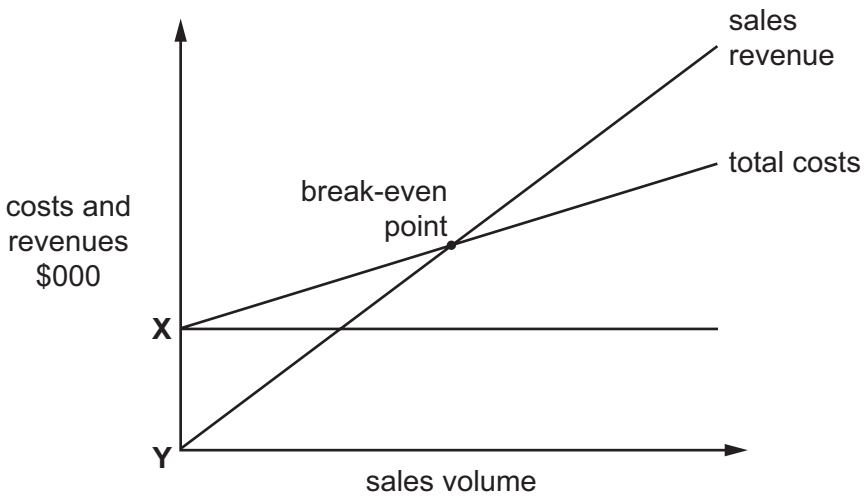
2 Inventory of goods has increased in relation to units sold.

3 Profit margin on a constant level of sales has decreased.

4 Profit margin on a constant level of sales has increased.

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

22 The break-even chart for a product is shown.



What does **XY** represent?

A fixed costs

B gross profit

C profit for the period

D variable costs

23 Which business would use a job costing system?

A a chemical plant

B a retailer of food

C a ship builder's yard

D a wholesaler of car parts

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24 Which cost relating to a manufacturing business is apportioned between its cost centr

A depreciation of delivery vehicles

B factory power

C finance costs

D raw materials

25 A company absorbs overheads on the basis of machine hours, which are budgeted at 11 250. The budgeted overhead is $281 250.

Results show actual hours of 10 980 and overhead of $276 652.

What is the under or over absorption?

A $2152 over absorbed

B $2152 under absorbed

C $4598 over absorbed

D $4598 under absorbed

26 A manufacturing company uses the reducing balance method to calculate depreciation.

What describes the depreciation expense?

A fixed cost

B semi-variable cost

C stepped cost

D variable cost

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27 A manufacturing company produces 10 000 units and sells 8000 units in a year.

The selling price per unit is $30.

Total costs incurred during that year were as follows.

	$
direct materials	50 000
direct labour	80 000
prime cost	130 000
factory overhead	50 000
production cost	180 000
administration cost	65 000
total costs	245 000

The company uses absorption costing.

What is the value of closing inventory?

A $26 000 **B** $36 000 **C** $49 000 **D** $60 000

28 The following information is available for a manufacturing company.

budgeted direct labour hours	26 200
actual direct labour hours	28 000
budgeted overhead costs	$166 500
actual overhead costs	$172 600

What is the overhead absorption rate?

A $5.95 **B** $6.16 **C** $6.35 **D** $6.59

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29 The following information is available.

	$	$
sales		250 000
variable production costs	150 000	
fixed production costs	30 000	180 000
gross profit		70 000
fixed administrative costs		50 000
profit for the year		20 000

What is the break-even point?

A $100 000 **B** $170 000 **C** $200 000 **D** $230 000

30 The following forecasted data relates to the month of January 2015.

	$
bank on 1 January 2015	570 debit
depreciation of non-current assets	820
payments to suppliers	39 400
revaluation of premises	50 000
provision for doubtful receivables	8 000
receipts from customers	148 250

What is the budgeted cash balance at end of January 2015?

A $108 280 **B** $109 420 **C** $151 100 **D** $152 240

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