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Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **February/March 2017**

1 hour

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

7264628521

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.

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1 Which accounting treatments illustrate the use of the matching concept?

1 comparing the receipts and payments in the cash book to obtain the balance of inventory at net realisable value rather than cost

2 using the FIFO method of inventory valuation each year

3 charging depreciation on non-current assets

A 1, 2 and 3 **B** 1 and 3 only **C** 2 only **D** 3 only

2 Which item should be treated as capital expenditure?

A cost of carriage on the purchase of a non-current asset

B cost of replacement of part of a non-current asset

C depreciation of a non-current asset

D repairs to a non-current asset

3 During the year ended 31 December 2012 a business purchased a vehicle for $23 500. On 30 September 2015 it was sold for $3500. Depreciation was charged at 20% per annum using the straight line method. A full year's depreciation was charged in the year of purchase **and** the year of disposal.

What was the profit or loss on disposal of the vehicle?

A $1200 loss

B $1200 profit

C $5900 loss

D $5900 profit

4 Why is a sales ledger control account used?

1 to control discounts received

2 to ensure credit customers pay promptly

3 to provide a trial balance figure for trade receivables

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

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5 A purchases ledger control account was prepared but contained a number of errors.

purchases ledger control account			
	$		$
balance b/d	45 750	cash paid to credit suppliers	19 730
credit purchases	20 380	cash discounts received	1 500
cash purchases	19 440	refunds from credit suppliers	3 500
		balance c/d	60 840
	85 570		85 570

What was the correct balance carried down?

A $47 100 **B** $48 400 **C** $60 840 **D** $67 840

6 A suspense account shows a debit balance of $350.

What could have caused this?

A A purchase of $350 was debited to the rent account.

B A purchase of $350 was omitted from the purchases journal.

C A sale of $350 was debited to the sales account and credited to the sales ledger control account.

D The sales journal was overcast by $350.

7 The following balances related to Ladha's business.

	at 31 March 2016 $	at 31 March 2015 $
total assets	388 000	345 000
total liabilities	84 000	75 000
net assets	304 000	270 000
drawings during the year	22 000	20 000

What was Ladha's profit for the year ended 31 March 2016?

A $12 000 **B** $32 000 **C** $36 000 **D** $56 000

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8 A trial balance showed a provision for doubtful debts as $1350. Trade receivables were $50 320 which included a debt of $500 which was irrecoverable.

Which entry was required in the provision for doubtful debts account if the closing balance was to be 5% of trade receivables?

A $1141 credit

B $1141 debit

C $1166 credit

D $1166 debit

9 A business provides the following information.

	$
revenue	140 000
opening inventory	22 000
closing inventory	24 500
purchases	120 000

Goods are sold at cost plus 25%.

The owner has taken goods for own use but has not recorded these as drawings.

What is the value of the goods taken for own use?

A $5500 **B** $10 500 **C** $12 500 **D** $17 500

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

1 the reduction of the provision for doubtful debts by $300

2 the purchase of office stationery costing $2400 which has not been entered in the books; only one-sixth of this stationery was used by the year end.

What is the corrected profit for the year?

A $61 900 **B** $63 900 **C** $64 100 **D** $64 300

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11 The table shows transactions relating to a product during July. There was no opening inventory.

	units	$ (per unit)
purchased	50	4
sold	30	10

Of the remaining units, 8 are damaged and therefore have no value.

What is the profit for July?

A $68 **B** $100 **C** $148 **D** $180

12 A trader provides the following financial information for the year ended 31 December.

gross margin	20%
cost of goods sold	$220 000
drawings	$7 000
profit for the year	$28 000

How much are expenses?

A $9000 **B** $16 000 **C** $20 000 **D** $27 000

13 Why is goodwill adjusted in the books of account when a new partner is admitted?

A A more accurate value of non-current assets is shown in the statement of financial position.

B Original partners can be credited for their efforts in building up the partnership business.

C Partners can take higher drawings as a result of their share of the goodwill.

D The new partner knows how much they have to introduce as capital.

14 A partnership revalues its non-current assets upwards.

What are the ledger entries to record this?

	account to debit	account to credit
A	non-current assets	bank
B	non-current assets	partners' capital accounts
C	non-current assets	partners' current accounts
D	non-current assets	revaluation reserve

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15 X and Y are in partnership. They admit Z as a new partner. The profit sharing ratio will be 2 : 1 : 1 respectively. Goodwill is valued at $100 000. Goodwill is not to be retained in the books of account.

Other assets are revalued at $40 000 in excess of their net book value.

Z introduces $250 000 cash and office equipment valued at $30 000.

What is Z's capital account balance after his admission?

A $255 000 **B** $265 000 **C** $305 000 **D** $315 000

16 Which facts about preference shares are correct?

	rate of dividends	voting rights
A	fixed	no
B	fixed	yes
C	variable	no
D	variable	yes

17 The table shows year end information for a company.

income statement	$	statement of financial position	$
profit from operations	14 000	5% debenture 2020	30 000
finance costs	(1 500)	ordinary share capital	70 000
loss on disposal of non-current asset	(2 500)	share premium account	15 000
profit for the year	10 000	retained earnings	35 000

What is the return on capital employed (ROCE)?

A 6.7% **B** 8.3% **C** 9.3% **D** 11.7%

18 A company provided the following information.

	$
revenue for the year	390 000
year-end non-current assets at cost	260 000
year-end accumulated depreciation	65 000

What was the non-current asset turnover?

A 0.5 times **B** 0.67 times **C** 1.5 times **D** 2 times

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19 The following information is given in the financial statements of a limited company.

	$
ordinary shares	1 200 000
general reserve	120 000
retained earnings	710 000
8% debentures	400 000

What is the value of total equity?

A $1 910 000 **B** $2 030 000 **C** $2 310 000 **D** $2 430 000

20 Which item is a direct cost?

A cost of production materials

B factory supervisor's salary

C machine cleaning materials

D stores staff wages

21 Samuel manufactures a single product. Total cost per unit is $70 when production is 100 units per week, and $62.50 when production is 160 units per week.

What are the total fixed costs per week?

A $450 **B** $750 **C** $1200 **D** $2000

22 How is the issue of inventory from stores valued when using FIFO?

A It is calculated using the average purchase price of goods.

B It is calculated using the price paid for the earliest delivery of goods.

C It is the same as the current replacement cost.

D It is the same as the most recent price paid for the goods.

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23 A business absorbs overheads based on machine hours.

During the last quarter it had the following budgeted and actual results.

actual overheads	$118 505
actual machine hours	6 230
budgeted overheads	$126 725
budgeted machine hours	6 850

By how much were overheads over or under absorbed?

A over absorbed by $3250

B over absorbed by $8220

C under absorbed by $3250

D under absorbed by $8220

24 Actual output exceeds budgeted output.

Which cost is higher than budgeted?

A fixed costs per unit

B total fixed costs

C total variable costs

D variable costs per unit

25 A company manufactures three products. The following information is obtained in respect of next month's budgeted production.

	product X	product Y	product Z
contribution per unit	$7	$6	$8
contribution per kilo	$3	$4	$6
kilos of material required for production	400	600	1000

The company has been advised that only 1800 kilos of material will be available for production next month.

What is the maximum contribution the company can earn?

A $9000 **B** $9600 **C** $13 000 **D** $13 200

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26 The following information is available.

	$
direct materials	20 000
direct labour	45 000
direct expenses	6 000
variable overheads	11 000
fixed overheads	38 000
sales	240 000

What is the contribution to sales ratio?

A 50% **B** 54.58% **C** 65.83% **D** 70.42%

27 A company provides the following information.

budgeted overheads	$136 000
budgeted labour hours	10 568
actual overheads	$146 000
actual labour hours	10 110

What is the overhead absorption rate per labour hour?

A $12.87 **B** $13.45 **C** $13.82 **D** $14.44

28 The following information is for a business.

	$
budgeted fixed costs per month	2000
target profit per month	3000
budget variable cost per unit	15
selling price per unit	40

Fixed costs are expected to increase by $500 per month and variable costs increase by $5 per unit.

Which value of revenue will be required to achieve the target profit?

A $8000 **B** $8800 **C** $10 000 **D** $11 000

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29 The costs of a company that annually sells 10 000 units are as follows.

	$
direct material	50 000
assembly labour	100 000
factory overheads	70 000

The normal selling price of each unit is $50.

How many more units need to be sold to break even if the selling price is reduced to $35?

A 1500 units **B** 2000 units **C** 3500 units **D** 5000 units

30 Which statements identify a disadvantage of break-even analysis?

1 It does not show the effect of changes in output on the break-even point.

2 It is assumed that all costs can be split between fixed and variable.

3 It makes it difficult to decide the profitability of a product at different levels of activity.

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

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