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Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/11**

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)

* 5 7 8 3 4 4 2 6 9 7 *

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.

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1 A business's year end is 31 March. On 31 March 2016 the business received an order from a credit customer. The goods were not sent to the customer until 5 April 2016. This sale was not included in the financial statements for the year ended 31 March 2016.

Which accounting concept(s) are being applied?

1 business entity

2 realisation

3 substance over form

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

2 Why does a business charge depreciation on its non-current assets?

A to retain profits for the replacement of worn out assets

B to show the value of the assets in the statement of financial position

C to show when an asset needs replacing

D to spread the cost of the assets over their useful lives

3 How is depreciation calculated using the straight-line method?

A as a fixed percentage of the asset's net book value

B as a fixed percentage of the asset's original cost

C as a variable percentage of the asset's net book value

D as a variable percentage of the asset's original cost

4 A business depreciates its machinery at 10% per annum using the straight-line method on a month-by-month basis. The business's financial year end is 30 June.

Machinery which had cost $6600 on 1 April 2014 was sold on 30 November 2015. The profit on sale was $350.

What were the sale proceeds?

A $5150 **B** $5425 **C** $5850 **D** $6125

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5 The table shows information relating to the non-current assets of a business.

	$
net book value at beginning of year	28 000
net book value at end of year	25 000
depreciation charge for the year	4 000
disposals at net book value	9 000

What is the cost of the additions in the year?

A $2000 **B** $6000 **C** $10 000 **D** $16 000

6 At the year end a cash book shows a credit balance of $4800.

The bank statement included bank charges of $25 which had not been included in the cash book.

Cheque payments entered in the cash book before the year end to the value of $250 had not yet cleared the bank.

How would the bank balance be shown in the statement of financial position?

		$
A	current asset	4775
B	current liability	4825
C	current asset	5025
D	current liability	5075

7 A purchases ledger control account has been reconciled with the purchases ledger balances as follows.

	$
balance of the control account	70 000
total of a page in the purchases journal not posted to general ledger	2 000
discount allowed by trade payables not posted to the purchases ledger	1 500
total of balances in the purchases ledger	73 500

Which value for trade payables should be shown in the statement of financial position?

A $68 000 **B** $70 500 **C** $72 000 **D** $73 500

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8 Trade receivable balances at the start of a period were $30 000 and were $38 000 at the end.

During that period:

	$
credit sales	60 000
irrecoverable debt written off	1 000
customer discounts allowed	2 000

How much did the company receive from its customers in the period?

A $49 000 **B** $52 000 **C** $65 000 **D** $68 000

9 At the start of the year the provision for doubtful debts was $19 600. During the year irrecoverable debts of $12 300 were written off. The provision for doubtful debts at the year end was $15 500.

What was the net effect of these items on the profit for the year?

A $4100 decrease

B $4100 increase

C $8200 decrease

D $8200 increase

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10 The following financial information is available.

	$
inventory at 1 January 2016	800
inventory at 31 December 2016	1 010
purchases	9 260
carriage inwards	130
revenue	18 000
discount received	700
other costs	3 880

What are the values of gross profit and profit for the year?

	gross profit $	profit for the year $
A	8820	4240
B	8820	5640
C	9080	5900
D	9520	5640

11 The following information is extracted from the records of a business.

	$
at 1 January 2016	
rent paid in advance	4 000
during the year ended 31 December 2016	
rent paid	41 000
at 31 December 2016	
rent paid in advance	7 000

How much will be charged for rent in the income statement for the year ended 31 December 2016?

A $34 000 **B** $38 000 **C** $41 000 **D** $44 000

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12 The assets of a partnership were revalued when a partner retired.

Which ratio is used to divide the surplus or deficit on revaluation?

A new capital accounts

B new profit sharing

C old capital accounts

D old profit sharing

13 X and Y are in partnership sharing profits and losses in the ratio 2 : 1 respectively.

Capital account balances are X $80 000 and Y $50 000.

Z joins as a new partner and introduces capital of $30 000.

Goodwill is valued at $18 000. Goodwill is not to remain in the books of account.

The new profit sharing ratio will be 5 : 3 : 2 respectively.

What is the balance on X's capital account after the introduction of Z?

A $59 000 **B** $77 000 **C** $83 000 **D** $101 000

14 L, M and N were in partnership sharing profit and losses in the ratio 4 : 3 : 1 respectively.

N retired from the partnership on 31 October 2016 when the balance on her capital account was $142 000.

Goodwill was valued at $54 000 and would not remain in the books of account.

Non-current assets were revalued from $180 000 to $144 000.

N was paid all amounts due to her from the business bank account.

How much was N paid on retirement from the partnership?

A $130 750 **B** $139 750 **C** $144 250 **D** $153 250

15 A company makes a 1 for 4 bonus issue of ordinary shares.

What happens to share capital and total equity?

	share capital	total equity
A	increase	decrease
B	increase	increase
C	increase	no change
D	no change	increase

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16 A company has the following:

12 000 ordinary shares of $1 each

10% debenture $10 000

It made a loss of $15 000 for the year ended 31 December 2016.

An interim ordinary dividend of $0.20 per ordinary share was paid on 30 September 2016.

An ordinary dividend of $0.40 per ordinary share was proposed at 31 December 2016.

The retained earnings balance in the statement of changes in equity at 31 December 2016 was $20 000.

What was the retained earnings balance at 1 January 2016?

A $37 400 **B** $38 400 **C** $42 200 **D** $43 200

17 On 1 May, a trader lost all of his inventory in a fire. He has values for sales and purchases and wishes to calculate the value of the inventory lost.

Which ratio should he use?

A gross margin

B profit margin

C trade payables turnover

D trade receivables turnover

18 The following information was available for a business.

	$
equity	90 625
non-current liabilities	36 250
profit from operations	24 375
profit for the year	18 125

What was the return on capital employed?

A 14.3% **B** 19.2% **C** 20% **D** 26.9%

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[Turn over

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19 A business provided the following information.

	$
non-current assets at cost	525 000
non-current assets at net book value	350 000
revenue	800 000
profit for the year	160 000

What was the non-current asset turnover?

A 0.30 times

B 0.46 times

C 1.52 times

D 2.29 times

20 A company's sales during a 365-day year are shown.

	$
cash sales	179 580
credit sales	927 100
total sales	1 106 680

The trade receivables turnover was 42 days.

What was the value of trade receivables at the end of the year?

A $20 664 **B** $22 074 **C** $106 680 **D** $127 344

21 The following details are for the inventory of a company.

	kilos	cost per kilo $	total cost $
inventory 1 January 2016	100	100	10 000
purchased January 2016	200	105	21 000
purchased 1 February 2016	300	110	33 000

400 kilos remained as inventory at the end of February 2016.

The company used FIFO to value its inventory.

What was the value of inventory at the end of February?

A $40 000 **B** $42 667 **C** $43 500 **D** $44 000

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22 Which item is a direct cost?

A carriage inwards on production materials

B cleaning materials for the factory

C factory rent

D wages of the factory manager

23 A business has the following information available.

selling price per unit	$35
direct labour per unit	$9
direct material per unit	$6
budgeted sales	8000 units
margin of safety	2000 units

What is the value of fixed costs?

A $40 000 **B** $120 000 **C** $160 000 **D** $200 000

24 A company has allocated its costs between different departments as shown.

details	production department 1	production department 2	maintenance department
allocated costs	$80 000	$60 000	$10 000
split of maintenance department costs	60%	40%	
direct labour hours	20 000	8 000	

What is the overhead absorption rate per labour hour for production department 1?

A $3.70 **B** $4.00 **C** $4.20 **D** $4.30

25 Vikram is paid $10 an hour for a 40-hour week and at time and a half for overtime.

He is expected to produce four units an hour. If he produces more than this, a bonus of $2 per extra unit is paid.

Last week Vikram worked 41 hours and produced 161 units.

How much was Vikram paid?

A $410 **B** $412 **C** $415 **D** $417

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26 A business operated a staff canteen at a cost of $12 000.

What is the most appropriate basis of apportioning this overhead cost?

A book value of canteen equipment

B direct labour hours

C floor area

D number of employees

27 A business apportions some of its overhead expenses across its production departments.

Why might building maintenance costs **not** be included with the other overheads being apportioned?

A Building maintenance costs are fixed.

B Building maintenance is not necessary for production to take place.

C No suitable basis for apportionment can be found.

D They can be identified with specific cost centres.

28 The following information is available for a business.

budgeted manufacturing overhead	$234 000
budgeted direct labour hours	45 000
actual manufacturing overhead	$243 600
actual direct labour hours	42 000

How much overhead was under or over absorbed?

A $25 200 over absorbed

B $25 200 under absorbed

C $27 000 over absorbed

D $27 000 under absorbed

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29 A company manufactures and sells 10 000 units. Details of the revenues and costs are as follows.

	total $
sales revenue	200 000
variable costs	80 000
fixed costs	90 000
profit	30 000

What is the break-even point in units?

A 2500 **B** 4500 **C** 7500 **D** 10 000

30 The data in the table relates to a business.

	$
sales	6000
variable costs	4500
fixed costs	900
profit for the year	600

What is the contribution to sales ratio?

A 10% **B** 25% **C** 33.33% **D** 75%

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