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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 **October/November 2017**

1 hour

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

* 0 8 8 9 6 3 0 4 9 6 *

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 The personal spending of the owner of a business is **not** recognised as a business expense.

Which accounting concept is being applied?

A business entity

B consistency

C money measurement

D prudence

2 A business purchased a shop and incurred the following costs.

	$
purchase price of the shop	680 000
legal fees incurred in the purchase of the shop	7 200
cost of initial inventory	12 500
cost of installing air conditioning	47 300

Which amount was capital expenditure?

A $680 000 **B** $687 200 **C** $734 500 **D** $747 000

3 Why is a non-current asset depreciated?

A to allocate its cost over its useful life

B to measure its decline in market value

C to measure its physical deterioration

D to recognise the cash outflow from the use of it

4 The following information is available in respect of a trader's non-current assets.

	$
accumulated depreciation at 31 May 2015	40 000
depreciation charge for the year ended 31 May 2016	9 000
accumulated depreciation at 31 May 2016	46 000

During the year ended 31 May 2016 a non-current asset which had cost $10 000 was sold. There was a loss on disposal of $1200.

What were the sale proceeds of the non-current asset sold?

A $5800 **B** $7000 **C** $8200 **D** $8800

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5 The owner of a transport business purchased a motor vehicle. This was charged to the motor expenses account.

What were the effects of this on the end-of-year statement of financial position?

	non-current assets	current assets	capital account
A	overstated	no effect	overstated
B	overstated	overstated	no effect
C	understated	no effect	understated
D	understated	understated	no effect

6 A company has obtained the following information for the year ended 31 December.

	$
opening balance on sales ledger control account	31 000
closing balance on sales ledger control account	35 000
discount allowed	2 300
credit sales	125 400

What was the amount of cash received from the customers?

A $119 100 **B** $123 700 **C** $127 100 **D** $131 700

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7 X sent goods to Y on a sale or return basis but treated them as a sale of $1200. The goods had a cost price of $750.

A trial balance was extracted from the ledger and the following balances were included.

account	$
revenue	31 250
trade receivables	14 100

Inventory had been valued at $2300.

What should have been the correct values?

	revenue $	trade receivables $	inventory $
A	30 050	12 900	3050
B	30 050	13 650	3050
C	30 800	13 650	3500
D	30 800	14 850	3500

8 A business owner suspects that a loss of cash has occurred. He provides the data shown.

	$
cash balance at the start of the month	150
cash balance at the end of the month	100
cash banked	10 200
cash sales for the month	10 500

How much cash has been lost?

A $200 **B** $250 **C** $300 **D** $350

9 Henry received a credit note from a supplier. He treated this in error as an invoice received and entered it in his purchases journal.

When was the error revealed?

A when Henry compared his cash book with his bank statement

B when Henry compared his purchases ledger with statements of account received

C when Henry prepared a purchases ledger control account

D when Henry prepared a trial balance

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10 A business prepares its financial statements on 31 December. Insurance premiums paid were as follows.

date paid	period covered	$
January 2015	1 July 2014 to 31 December 2014	940
July 2015	1 January 2015 to 30 June 2015	1120
January 2016	1 July 2015 to 31 December 2015	1245
March 2016	1 January 2016 to 30 June 2016	1880

Which amount should be shown in the income statement for the year ended 31 December 2015?

A $1120 **B** $2060 **C** $2365 **D** $3305

11 Why should non-current assets be revalued when a partner retires and a new partner is admitted?

A so that the new partner gains from the increase in value

B so that the old partners gain from building up the business

C so that the old partners can increase their drawings

D to calculate the amount the new partner must pay as capital

12 Closing inventory has been overvalued.

What is the effect on the financial statements?

	net current assets	profit from operations
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

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13 The following information is available for a partnership at 31 December 2016.

	$
residual loss	3 000
total salaries to partners	5 000
total interest on capital	27 000
total drawings	14 000
total interest on drawings	700

How much is the profit for the year?

A $14 300 **B** $20 300 **C** $28 300 **D** $34 300

14 The table shows information about four partners in a partnership.

Which partner has the greatest **net** reward from interest on capital and interest on drawings?

	fixed capital $	annual drawings $
A	20 000	30 000
B	20 000	50 000
C	60 000	30 000
D	60 000	50 000

15 A company's capital employed consists of ordinary shares of $1 each and retained earnings of $50 000. The following information is available for the year ended 31 December.

	$
profit from operations	47 000
finance costs	3 000
profit for the year	44 000

Return on capital employed was 10%.

How many ordinary shares had been issued?

A 390 000 **B** 420 000 **C** 440 000 **D** 470 000

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16 When is a share premium account opened?

A when shares are issued at a price above nominal value

B when a bonus issue is made

C when shares are sold at a premium by shareholders

D when shares have a market value above cost at the year end

17 A company has ordinary share capital of $80 000. Each share has a nominal value of $0.25.

A dividend of $0.06 per share is paid.

What is the total dividend paid?

A $1200 **B** $4800 **C** $15 200 **D** $19 200

18 On 1 January 2016, a company's total equity was $56 000.

The company made a profit for the year of $13 000, and paid a dividend of $2000.

At the year end, $5000 was transferred to the general reserve and the directors proposed a final dividend of $4000.

What was the total equity on 31 December 2016?

A $58 000 **B** $62 000 **C** $67 000 **D** $68 000

19 Which action would increase a company's current ratio?

A paying rent in advance

B receiving money from trade receivables

C repaying a long-term loan

D selling non-current assets

20 The following information relating to motor vehicles for a business is available.

All motor vehicles were purchased 10 years ago at a total cost of $500 000. They currently have a total net book value of $100 000. There has been no sale of motor vehicles during the period.

How has depreciation been calculated on these motor vehicles?

A 8% per annum using the reducing balance method

B 8% per annum using the straight-line method

C 20% per annum using the reducing balance method

D 20% per annum using the straight-line method

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21 The following information is available for the inventory of a business.

July 1	opening inventory 60 units at $4.50 per unit
15	issued 40 units
23	purchased 120 units at $5.20 per unit
29	issued 65 units

What is the value of the inventory on 31 July based on AVCO?

A $337.50 **B** $363.75 **C** $382.50 **D** $390.00

22 A business manufactures a single product.

Which cost can be allocated to its production departments?

A administrative expenses

B direct materials

C factory light and heat

D factory rent

23 The budget data of N Limited is as follows.

production level	total costs
15 000 units	$406 000
25 000 units	$546 000

What is the budgeted fixed cost?

A $196 000 **B** $238 000 **C** $336 000 **D** $357 000

24 A business pays its employees on a time rate basis at $8 per hour. It also pays a weekly bonus of $1.20 for every unit of production over 100 units, plus an additional $0.80 for all production over 120 units.

Employees are guaranteed a minimum weekly wage of $335.

An employee worked 37.5 hours last week and produced 129 units.

What was the employee's wage for that week?

A $335.00 **B** $342.00 **C** $358.00 **D** $365.20

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25 A business absorbs overheads based on machine hours.

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

actual overheads	$127 346
actual machine hours	5 490
budgeted overheads	$129 375
budgeted machine hours	5 625

By how much were overheads under or over absorbed?

A over absorbed by $1076

B over absorbed by $2029

C under absorbed by $1076

D under absorbed by $2029

26 Which statements about marginal costing are correct?

1 It only uses fixed and variable costs in calculations.

2 It only uses variable costs in calculations.

3 It should only be used for long-term planning decisions.

4 It should only be used for short-term planning decisions.

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

27 A business has the following budget for April.

	$
sales revenue	1 000 000
contribution	550 000
fixed production costs	275 000
fixed selling costs	55 000

What is the break-even sales revenue for April?

A $450 000 **B** $500 000 **C** $600 000 **D** $670 000

28 A company has fixed costs during a quarter of $300 000. It sells its single product for $25 per unit and has a contribution to sales ratio of 40%.

How many units of product does it need to sell to make a profit of $100 000?

A 10 000 **B** 16 000 **C** 30 000 **D** 40 000

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29 The following information is available about two products.

	product 1 per unit	product 2 per unit
material X	2 kilos	4 kilos
material Y	3 kilos	1 kilo
direct labour	3 hours	6 hours

Production is planned to be 100 units of each product.

700 kilos of material X and 400 kilos of material Y are available. A total of 800 direct labour hours can be worked.

What is / are the limiting factor(s)?

A direct labour

B material X

C material Y

D all three inputs

30 What is **not** a reason for a business to prepare its budgets?

A to control the business

B to make a profit every year

C to motivate staff

D to plan for the future

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