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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 **October/November 2017**

1 hour

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

* 5 6 2 4 3 1 1 2 0 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 Which item is classed as revenue expenditure?

A installation costs of machinery

B legal fees on the purchase of premises

C number plates on a new motor vehicle

D redecorating office premises

2 What is the purpose of depreciation?

A to allocate the cost of the assets over their lives

B to improve liquidity ratios of the business

C to provide sufficient funds to replace the assets

D to show the assets at their market values

3 A company's year end is 30 April. It purchases a factory in May 2014 at a cost of $200 000. The factory will be depreciated over 20 years. A full year's depreciation is charged in the year of purchase.

In May 2017 the factory is revalued at $300 000.

How much should be included in the revaluation reserve account?

A $100 000 **B** $120 000 **C** $130 000 **D** $140 000

4 A business has a year end of 31 December. It purchased a non-current asset on 1 January 2014 for $100 000. It was depreciated using the reducing balance method at 20% per annum. It was sold for $40 000 on 1 January 2016.

What was the loss on disposal?

A $20 000 **B** $24 000 **C** $40 000 **D** $60 000

5 Why does a business keep a sales ledger control account?

1 It helps deter fraud.

2 It helps with the preparation of financial statements.

3 It identifies doubtful debt easily.

4 It predicts the sales for the coming year.

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

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6 A sales ledger control account had a debit balance of $38 600. The total of individual sales ledger debit balances was $36 500. The only errors found were as follows.

An irrecoverable debt had been recorded in the ledger of Smith but not the control account.

The sales journal was undercast by $1500.

A contra of $1750 had been correctly recorded in the control account but only $1250 recorded in the ledgers.

What was the value of the irrecoverable debt?

A $100 **B** $1100 **C** $3100 **D** $4100

7 The following information is available.

	$
provision for doubtful debts at the beginning of the year	6 250
trade receivables at the end of the year	93 750

Provision for doubtful debts is to be maintained at 6% of trade receivables.

Which effect will the provision for doubtful debts have on profit for the year in the income statement?

A decrease by $625

B decrease by $5625

C increase by $625

D increase by $5625

8 At 31 December the following information is available about a company's banking transactions.

	$
balance at bank per bank statement	22 650
uncleared deposits	3 110
unpresented cheques	6 290
bank credit recorded twice by bank in error	650

Which value for bank should be recorded in the statement of financial position at 31 December?

A $18 820 **B** $20 120 **C** $25 180 **D** $26 480

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9 Hedley has 100 items of inventory in his warehouse and five more with a customer on a sale or return basis. He provides the following information.

	$ per unit
historic cost paid	60
selling price	85
current replacement cost	65

Which value should appear in the statement of financial position for inventory?

A $6000 **B** $6300 **C** $6825 **D** $8500

10 A business does not keep complete accounting records. The following information is known for the year.

	$
capital at start	52 000
capital at end	55 000
drawings	13 000
capital introduced	25 000

What is the profit or loss for the year?

A loss $9000

B profit $9000

C loss $15 000

D profit $15 000

11 A business has 500 items of inventory at a cost price of $3 each. The selling price per unit is based on a mark-up of 20%. Before sale, the items need to be repaired at a total cost of $400.

What is the net realisable value of the inventory?

A $1400 **B** $1475 **C** $2200 **D** $2275

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12 The following information is available for the year ended 31 December 2016.

	$
revenue	75 000
purchases	32 000
carriage inwards	5 400
carriage outwards	4 500
inventory at 1 January 2016	6 300
inventory at 31 December 2016	7 600

What was the gross profit for the year ended 31 December 2016?

A $36 300 **B** $37 200 **C** $38 900 **D** $39 800

13 A partnership maintains capital accounts and current accounts.

Which statements are correct?

1 The capital accounts show the total amount owed to each partner.

2 The capital accounts represent the retained earnings of the business.

3 The capital and current accounts equal the net assets.

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

14 X, Y and Z had been in partnership, sharing profits and losses in the ratio of 2 : 2 : 1.

On 1 January 2017, Y retired. The balances of his capital and current accounts were as shown.

capital account	current account
$50 000	$6400 debit

Y took over a motor van at an agreed value of $3800. The net book value of the motor van was $4800.

Goodwill was valued at $30 000.

The value of all other assets at 1 January 2017 would remain unchanged.

How much cash was Y entitled to when he retired?

A $51 400 **B** $51 800 **C** $55 200 **D** $64 200

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15 S and T are in partnership, sharing profits and losses in the ratio 2 : 1. The balances on their capital accounts at 31 March 2017 were:

	$
capital account S	40 000
capital account T	20 000
	60 000

On 1 April 2017 the partners decide to change the profit-sharing ratio to 3 : 2. Goodwill is to be valued at $30 000 and is not to be retained in the books of account.

What is the new balance of T's capital account?

A $18 000 **B** $20 000 **C** $22 000 **D** $30 000

16 A partnership provides the following financial information for the year ended 30 June 2017.

	$
profit from operations	240 000
bank interest payable	21 000
interest on capital	15 000
drawings	50 000
partnership salaries	45 000

What is the residual balance of profits to be appropriated between the partners?

A $109 000 **B** $154 000 **C** $159 000 **D** $204 000

17 Which accounting entry could record the issue of bonus shares?

	debit	credit
A	bank	share capital
B	general reserve	share capital
C	general reserve	share premium
D	share capital	general reserve

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18 From which accounts can a company pay dividends?

1 general reserve

2 retained earnings

3 revaluation reserve

4 share capital

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

19 A company provides the following data on 1 January 2016.

	$
10% debentures (2020)	200 000
bank loan (2017)	130 000
bank loan (2018)	10 000
bank overdraft	24 000

What is the total value of non-current liabilities at 31 December 2016?

A $154 000 **B** $210 000 **C** $340 000 **D** $364 000

20 Calculation of which ratio does **not** include revenue?

A gross margin

B mark-up

C non-current asset turnover

D profit margin

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[Turn over

21 Bradshaw does not keep proper books of account. The following information is available for the year.

cost of sales	$750 000
mark-up	20%
cash sales	$300 000
trade receivables	$46 000

What are total sales and trade receivables turnover?

	total sales $	trade receivables turnover (days)
A	900 000	19
B	900 000	28
C	937 500	18
D	937 500	27

22 The financial statements of a company showed the following.

	$
current liabilities	15 000
non-current liabilities	40 000
ordinary shares	120 000
general reserve	10 000
retained earnings	46 000
interest paid	11 000

Profit for the year was $23 000.

What was the return on capital employed?

A 10.65% **B** 13.07% **C** 15.74% **D** 19.32%

23 Which item is an indirect cost?

A carriage inwards

B production materials

C wages of machine operators

D wages of stores staff

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24 The following information is forecast for next period.

	units
opening inventory	54 275
closing inventory	60 120
	$
profit using marginal costing	300 600
profit using absorption costing	390 780

What is the overhead absorption rate per unit?

A $5.00 **B** $6.50 **C** $7.20 **D** $15.43

25 A business has total fixed costs of $240 000. Products have a unit selling price of $25 and a unit variable cost of $15.

How many units need to be sold to break even?

A 6000 **B** 9600 **C** 16 000 **D** 24 000

26 The table contains information provided by a company.

budgeted direct labour hours	8000
actual direct labour hours worked	7500
budgeted overhead expenditure	$104 000
actual overhead expenditure	$112 500

What is the over or under recovery of overheads?

A $8500 over recovered

B $8500 under recovered

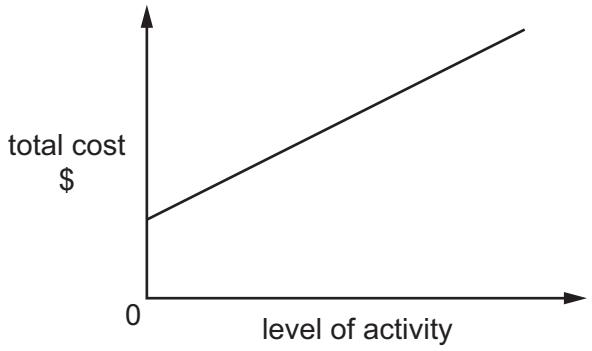
C $15 000 over recovered

D $15 000 under recovered

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27 The diagram illustrates the cost behaviour of a typical telephone invoice.



Which term best describes the behaviour of this cost?

A fixed

B semi-variable

C stepped

D variable

28 Which statements about the limitations of marginal costing are correct?

1 Finance costs are not included in the manufacturing overheads.

2 Variable cost per unit changes at different levels of activity.

3 Some costs may be semi-variable costs.

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

29 A product has a variable cost of $31.32 per unit. Total fixed costs are $93 600.

When production is 13 000 units the margin of safety is 5000 units.

What is the selling price per unit?

A $36.52 **B** $38.52 **C** $43.02 **D** $50.04

30 Why is planning important to a business?

1 to ensure that the business always makes a profit

2 to employ the correct number of workers

3 to reduce the risk of running out of inventory

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

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