GradeMax

Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **May/June 2018**

1 hour

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

4820752289

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.

© UCLES 2018

GradeMax

1 The owner of a business has been told that work completed for a customer should be recorded in the books of account although the invoice has not yet been sent to the customer.

Which accounting concepts are being applied?

1 matching

2 materiality

3 realisation

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

2 Adam's financial year ends on 31 December 2017.

On 1 January 2017 the net book value of machinery was $20 000.

On 30 June 2017 he purchased a new machine for $6000. He paid 50% of the cost in cash and the balance by part exchange of an old machine, which had a net book value of $2500 **on that date**.

He depreciates his machinery by 20% per annum on the net book value calculated on a time basis.

What is the net book value of the machinery shown in the statement of financial position on 31 December 2017?

A $18 400 **B** $18 800 **C** $19 150 **D** $20 800

3 A business has an accounting year-end of 31 March. It purchased a car on 1 April 2014 for $15 000. The car was sold on 30 September 2017 for $5000.

Depreciation is charged at 20% per annum. A full year's depreciation is charged in the year of purchase. No depreciation is charged in the year of sale.

What was the profit or loss on disposal?

A loss of $500

B loss of $1000

C profit of $500

D profit of $1000

© UCLES 2018

GradeMax

4 The accounting year-end for a company is 31 October.

The table shows the company's telephone invoice received on 2 December for the **three months** ended 30 November.

	$
telephone calls to 30 November	1041
rental of equipment for the period from 1 September to 30 November	156

Which accrual should the company make in the financial statements for the year ended 31 October?

A $399 **B** $798 **C** $1093 **D** $1197

5 A business created a provision for doubtful debts at 31 December 2016. The provision was calculated as a percentage of the trade receivables at each year end as follows.

year ended	trade receivables $	provision for doubtful debts %
31 December 2016	32 500	10
31 December 2017	34 300	5

Which entry in the provision for doubtful debts account for the year ended 31 December 2017 was required?

A $1535 credit

B $1535 debit

C $1715 credit

D $1715 debit

6 Errors can exist in the preparation of both the sales ledger and the sales ledger control account.

Which error would require an adjustment in the sales ledger control account **only** to correct it?

A sales journal being overcast

B sales transaction amount originally entered incorrectly

C sales transaction omitted completely

D sales transaction recorded in wrong customer account

© UCLES 2018

[Turn over

GradeMax

7 The trial balance of a business did not balance. The following errors were found.

1 The total of the purchases journal of $33 030 had been posted to the purchases account in the general ledger as $33 000.

2 Discount received of $50 had been entered on the debit side of the discount received account.

What was the original balance on the suspense account?

A $20 credit

B $20 debit

C $70 credit

D $70 debit

8 The bank column of a cash book showed a credit balance of $5000. There were unpresented cheques amounting to $1500. The bank statement showed bank charges, $700, which were not recorded in the cash book.

What is the balance on the bank statement?

A $4200 credit

B $4200 debit

C $5800 credit

D $5800 debit

9 During the financial year a business paid $295 000 to its trade payables, after taking a cash discount of $15 000.

At the start of the year the trade payables balance was $25 000. At the end of the year $32 000 was owed to trade payables.

What was the amount of credit purchases made during the year?

A $288 000 **B** $302 000 **C** $303 000 **D** $317 000

10 What would **not** result in goodwill?

A good reputation of a business

B selling high quality products

C selling products above market value

D skill of the workforce

© UCLES 2018

GradeMax

11 At the beginning of the financial year inventory was valued at $15 000. During the year, sales of $21 000 and purchases of $18 000 were made. Unfortunately, all inventory was stolen on the last day of the financial year.

Goods are marked up by 50% to calculate selling price.

What is the cost of the stolen inventory?

A $7500 **B** $11 000 **C** $19 000 **D** $22 500

12 A business does not keep complete accounting records. All transactions are in cash.

Which item will **not** be required in order to calculate the owner's cash drawings?

A non-current assets purchased

B opening capital account

C purchases

D sales

13 The following summarised information has been taken from the statement of financial position of a partnership.

	$
non-current assets	42 000
capital accounts	36 000
current accounts (debit)	6 000
current liabilities	8 000
non-current liabilities	15 000

What is the value of current assets?

A $5000 **B** $6000 **C** $11 000 **D** $23 000

© UCLES 2018

[Turn over

GradeMax

14 X and Y had been in partnership for some years when Z was admitted as a partner.

On that date the premises account was debited with $120 000 following a revaluation.

Profits were shared equally both before and after Z's admission.

What were the credit entries recording the revaluation?

A capital accounts X $40 000, Y $40 000, Z $40 000

B capital accounts X $60 000, Y $60 000

C current accounts X $40 000, Y $40 000, Z $40 000

D current accounts X $60 000, Y $60 000

15 Which company reserves may **not** be used to pay dividends?

1 general reserve

2 retained earnings

3 revaluation reserves

4 share premium

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

16 A company issued 50 000 ordinary shares of $0.50 each at a price of $0.60 each.

What were the accounting entries for the issue?

	debit	$	credit	$
A	bank	30 000	share capital share premium	25 000 5 000
B	bank share premium	25 000 5 000	share capital	30 000
C	share capital	30 000	bank	30 000
D	share capital share premium	25 000 5 000	bank	30 000

© UCLES 2018

GradeMax

17 What could be used to fund a bonus issue of shares?

1 general reserve

2 retained earnings

3 share premium

A 1, 2 and 3

B 1 and 2 only

C 1 and 3 only

D 3 only

18 The following is an extract from an income statement.

	$
revenue	180 000
costs of goods sold	(75 000)
distribution costs	(8 000)
administrative expenses	(22 000)
profit from operations	75 000
debenture interest	(2 500)
profit for the year	72 500

What was the operating expenses to revenue ratio?

A 16.7% **B** 18.1% **C** 58.3% **D** 59.7%

© UCLES 2018

[Turn over

GradeMax

19 The following information is available for the year ended 31 December 2017.

	$000
revenue	640
cost of sales	350
machinery at net book value	120
land and buildings at net book value	90
motor vehicles at net book value	20
current assets	50
equity	210

What was the non-current assets turnover?

A 1.26 times

B 2.29 times

C 2.78 times

D 3.05 times

20 A baker receives one order for 350 loaves of bread.

Which costing method will the baker use?

A absorption costing

B batch costing

C job costing

D unit costing

21 A business pays a salesman a basic salary, plus commission based on how much he sells.

Which type of cost is the salesman's total earnings?

A fixed

B semi-variable

C stepped

D variable

© UCLES 2018

GradeMax

22 Which cost is treated as variable cost of a motor transport company?

A advertising

B driver insurance

C fuel

D vehicle licence

23 Adam is paid $4 per hour and his expected output is 500 units per week. He is also paid a bonus $1 for every 20 perfect units made above the total of 500.

In one week he worked for 40 hours and made 880 units, but 40 were faulty and were scrapped.

How much was Adam paid for the week?

A $177 **B** $179 **C** $202 **D** $204

24 A business values their inventory using the AVCO method. The inventory on 1 June 2017 was 100 units valued at $2.40 each.

The following took place.

June 5	purchased 40 units at $2.50 per unit
7	sold 60 units at $3.50 per unit

What was the value of the inventory on 8 June 2017 to the nearest dollar?

A $194 **B** $196 **C** $200 **D** $224

25 The following budgeted information is available for a hotel for the next financial year.

fixed overheads	$192 000
direct costs	$240 000
number of guests	2400
average guest stay	4 nights

What is the overhead absorption rate per guest night?

A $20 **B** $45 **C** $80 **D** $180

© UCLES 2018

[Turn over

GradeMax

26 The costs of producing 1000 units of a product are as follows.

	$
direct materials	20 000
direct labour	10 500
direct expenses	1 600
variable overheads	11 300
fixed overheads	7 500

The selling price is $60 per unit and 1000 units are sold.

What is the contribution to sales ratio?

A 15.17% **B** 27.67% **C** 30.33% **D** 46.50%

27 A business produces a single product. The following information is available for a month.

budgeted sales quantity	200 units
selling price per unit	$40
variable cost per unit	$24
budgeted monthly fixed costs	$800

The business plans to rent a machine which will increase monthly fixed costs by $1200 to $2000 and reduce variable costs to $20 per unit.

What would be the effect of this on the margin of safety?

A decrease by 50 units

B decrease by 90 units

C increase by 50 units

D increase by 90 units

28 A business hires machinery at a cost of $700 per machine per month. Each machine can produce 1000 units a month. A maximum of 10 machines can fit into the factory. The factory rent is $4900 per month. Other costs amount to $2 per unit.

What is the unit cost if 8500 units are produced in a month?

A $3.19 **B** $3.23 **C** $3.28 **D** $3.32

© UCLES 2018

GradeMax

29 The direct material cost of 20 000 units is $8000. 400 direct labour hours are required at a cost of $6000. Overheads are absorbed at 150% of the cost of direct labour.

What is the cost per unit?

A $0.40 **B** $0.70 **C** $0.85 **D** $1.15

30 Why might a business prepare a budget?

A to determine the amount of bank loan it needs

B to determine the skills of labour force

C to identify its market share

D to identify the quality of its products

© UCLES 2018

GradeMax

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2018