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Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **May/June 2019**

1 hour

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

7657101056

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.

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1 When valuing inventory for inclusion in the financial statements, its selling price is ignored if it is higher than its cost price.

Which concept is being applied in this situation?

A business entity

B consistency

C duality

D historic cost

2 Why is depreciation provided on a non-current asset?

1 to apply the matching concept

2 to ensure the asset is shown at its market value

3 to spread the cost of the asset over its useful life

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

3 The accounting year of a business ends on 31 December.

An office building with a useful life of 40 years was purchased on 1 January 2010 for $400 000. It is expected to have no residual value. Depreciation is charged using the straight-line method.

The office building was revalued on 1 January 2018 for $480 000.

What will be the net book value of the office building at 31 December 2019?

A $360 000 **B** $450 000 **C** $456 000 **D** $465 000

4 A new machine is purchased at a price of $75 000. In addition, delivery and installation cost is $2500.

The business depreciates all non-current assets at a rate of 20% per annum using the straight-line method.

By how much would depreciation decrease the profit for the year?

A $14 500 **B** $15 000 **C** $15 500 **D** $17 500

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5 The sales ledger control account of a business had a closing balance of $21 650. This did not agree with the total of the sales ledger balances.

The following errors were discovered.

Discount allowed of $1460 was entered in the debit of the sales ledger control account.

A sales invoice of $1200 to J Ravi had been entered in the account of J Rajid.

A contra to the purchase ledger had been entered in the sales ledger correctly as $600 but in the sales ledger control account as $900.

What is the correct balance of the sales ledger control account?

A $19 030 **B** $20 490 **C** $24 870 **D** $25 770

6 A bank reconciliation statement shows a credit balance of $400 in the cash book and a balance in hand of $100 in the bank statements.

The bank reconciliation statement includes unpresented cheques of $700 in addition to cheques banked and not yet credited in the bank statements.

What is the total of cheques banked and not yet credited?

A $200 **B** $400 **C** $1000 **D** $1200

7 A suspense account was opened when a trial balance failed to balance. It was then discovered that returns of $200 had been correctly entered in the supplier's account but debited in the sales returns account. This was the only error.

What was the balance on the suspense account before this error was corrected?

A credit $200

B credit $400

C debit $200

D debit $400

8 At the end of its financial year a business had trade receivables of $16 000 and a provision for doubtful debts of $640. The provision is to be maintained at 5%.

Which amount is shown in the income statement?

A $160 expense

B $160 income

C $800 expense

D $800 income

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9 A business provided the following information about general expenses for the year ended 31 March 2019.

	$
accrued at 1 April 2018	3 975
prepaid at 1 April 2018	2 450
payments made for the year ended 31 March 2019	47 700
accrued at 31 March 2019	6 360
prepaid at 31 March 2019	5 825

What was the amount for general expenses to be included in the income statement for the year ended 31 March 2019?

A $45 640 **B** $46 710 **C** $48 690 **D** $49 760

10 A business provides the following information.

	debit $	credit $
prepaid expenses	4 620	
accrued expenses		8 125
bank balances	14 920	3 612
trade payables		18 148
loan (10 years)		15 000

What is the total for current liabilities?

A $26 273 **B** $26 380 **C** $29 885 **D** $44 885

11 A company provided the following information about an item of inventory.

	$
production cost	103 000
delivery cost to be incurred	1 000
expected selling cost	500
expected selling price	102 000

What is the correct inventory valuation?

A $100 500 **B** $102 000 **C** $103 000 **D** $104 500

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12 Goodwill is adjusted in partners' accounts when there is a change in the profit sharing ratio.

How is this recorded?

	debit	credit
A	capital accounts in new profit sharing ratio	capital accounts in old profit sharing ratio
B	capital accounts in old profit sharing ratio	capital accounts in new profit sharing ratio
C	current accounts in new profit sharing ratio	current accounts in old profit sharing ratio
D	current accounts in old profit sharing ratio	current accounts in new profit sharing ratio

13 X, Y and Z were in partnership sharing profits and losses in the ratio 5 : 3 : 2 respectively.

The capital account balances before any adjustments were $40 000, $30 000 and $20 000 respectively.

Z retired from the partnership. X and Y continued in partnership, sharing the profits and losses in the ratio 3 : 2 respectively.

Net assets were to be revalued upwards by $10 000.

What was the capital account balance for partner X following Z's retirement?

A $35 000 **B** $39 000 **C** $41 000 **D** $45 000

14 L and M are business partners sharing profits and losses in the ratio 2 : 1.

On 31 December 2018, their capital and current accounts showed the following credit balances.

	L $	M $
capital account	200 000	100 000
current account	40 000	30 000

At 1 January 2019, M transferred his private motor vehicle to the partnership. This motor vehicle originally cost $15 000. Its current market value is $8000.

Both partners made drawings of $20 000 each.

What was the total of each partner's capital and current accounts after the changes?

	L		M	
	capital account $	current account $	capital account $	current account $
A	180 000	40 000	88 000	30 000
B	200 000	20 000	100 000	18 000
C	200 000	20 000	108 000	10 000
D	200 000	20 000	115 000	10 000

15 Which items may be recorded in a Statement of Changes in Equity?

1 issue of debentures

2 profit for the year

3 proposed dividends

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

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16 The equity of a company included the following:

	$
ordinary shares of $1 each	1 500 000
share premium account	600 000

The market price of one share was $1.50.

The company made a fully subscribed rights issue of 500 000 ordinary shares at $1.20 per share.

What was the balance on the ordinary share capital account and share premium account after the issue?

	ordinary share capital account $	share premium account $
A	2 000 000	700 000
B	2 000 000	850 000
C	2 100 000	600 000
D	2 250 000	600 000

17 A company provides the following financial information at the end of the financial year.

	$000
retained earnings at the start of the year	50
profit for the year	120
ordinary dividends paid during the year	70
ordinary dividends proposed payable in the next financial year	30
transfer to general reserve	20

What is the amount of retained earnings at the end of the financial year?

A $50 000 **B** $70 000 **C** $80 000 **D** $100 000

18 Which accounting ratio could **not** be used to assess the ability of a business to pay its trade payables?

A current ratio

B expenses to revenue ratio

C liquid (acid test) ratio

D trade receivables turnover

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19 A sole trader has provided the following information.

revenue for the year	$240 000
average inventory	$25 000
mark-up	50%

What was the rate of inventory turnover?

A 3.2 times

B 4.8 times

C 6.4 times

D 9.6 times

20 A business provided the following information.

gross margin	20%
	$
sales	275 325
opening inventory	25 450
closing inventory	55 975

What were the total purchases?

A $189 735 **B** $220 260 **C** $250 785 **D** $259 963

21 An employee is paid $20 an hour basic pay for working 8 hours a day. Overtime is paid at the rate of a time and a half. A bonus is also paid of $40 for each unit produced in excess of 10 units a day.

Yesterday the employee worked 10 hours and produced 11 units.

What was the employee's pay for the day?

A $220 **B** $260 **C** $620 **D** $660

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22 The following information relates to one accounting period.

opening inventory	40 000 units
closing inventory	44 000 units
absorption cost profit	$284 000
marginal cost profit	$250 000

What was the overhead absorption rate per unit during the accounting period?

A $6.25 **B** $6.45 **C** $7.10 **D** $8.50

23 A business uses the weighted average cost (AVCO) method of inventory valuation.

date		units	$ per unit
1 September	purchased	50	4.00
10 September	purchased	30	4.80
21 September	sold	15	

What was the cost of each unit sold?

A $4.00 **B** $4.30 **C** $4.40 **D** $4.80

24 What may cause the under absorption of overheads?

1 Overheads have been lower than budgeted.

2 Overheads have been higher than budgeted.

3 Production volumes have been lower than budgeted.

4 Production volumes have been higher than budgeted.

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

25 Which changes would result in a fall in profit?

1 Marginal cost per unit increases.

2 Total fixed cost decreases.

3 Sales volume increases.

4 Selling price per unit decreases.

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

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26 Last month a business sold 10 000 units and made a total contribution of $60 000. Fixed costs were $10 000.

This month the sales volume fell by 20% and its contribution per unit fell by 10%. Fixed costs were unchanged.

By how much will its profit fall this month compared to last month?

A $6000 **B** $16 800 **C** $26 800 **D** $43 200

27 A business has provided the following information.

	$
total fixed costs	12 500
unit selling price	10
unit variable cost	6

Fixed costs and unit selling prices are expected to remain unchanged.

Which percentage increase in variable costs would result in a break-even quantity of 5000 units?

A 20% **B** 25% **C** 33% **D** 42%

28 The following information is available for a product.

selling price per unit	$25
total fixed costs	$30 000
break-even point	5000 units

What is the contribution to sales (C/S) ratio?

A 19.4% **B** 24% **C** 31.6% **D** 76%

29 Which cost will increase as production decreases?

1 fixed costs per unit

2 total fixed costs

3 total variable costs

4 variable cost per unit

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

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30 Which statements concerning a budget are correct?

1 It is always based upon historic data.

2 It is always prepared for a year ahead.

3 It needs the full commitment of all managers in order to work well.

4 It is used for planning and control of a business.

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

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