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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 **October/November 2019**

1 hour

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

* 1 2 1 8 6 9 2 7 4 5 *

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 employees of a company are skilled and efficient. Although they are regarded as a human asset of the company, no value for them has been recorded in the financial statements.

Which accounting concept has been applied?

A duality

B money measurement

C realisation

D substance over form

2 Which costs are **not** a part of capital expenditure when purchasing a new machine?

1 delivery costs

2 installation costs

3 machine operator training costs

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

3 A business had a non-current asset with a net book value of $18 000 at 31 December 2018. It had been purchased during the year ended 31 December 2017.

Depreciation is charged at a rate of 25% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase.

What was the original cost of the non-current asset?

A $22 500 **B** $24 000 **C** $27 000 **D** $32 000

4 The following information relates to the disposal of a non-current asset.

	$
profit on disposal	5 200
cost of non-current asset sold	14 400
sales proceeds	6 800

What was the accumulated depreciation on the non-current asset sold?

A $1600 **B** $2400 **C** $7600 **D** $12 800

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5 Which statement is **not** correct about the benefit to a business of maintaining control accounts?

A ensures that all types of errors can be detected

B helps in the preparation of financial statements

C provides immediate totals of trade receivables and trade payables

D reduces risk of fraud as jobs are performed by different staff members

6 The sales ledger control account of a business showed a balance of $14 320.

A customer, who owes $1000, has also supplied the business with $400 of goods.

This was offset against the amount owed by the customer.

What was the sales ledger control account balance after the offset?

A $13 720 **B** $13 920 **C** $14 720 **D** $14 920

7 What is the effect on the financial statements if closing inventory is overvalued?

	profit for the year	total assets
A	understated	overstated
B	overstated	overstated
C	understated	understated
D	overstated	understated

8 A company had the following assets and liabilities at 31 December 2018.

	$
trade receivables	30 000
trade payables	12 600
short-term bank deposit	8 800
bank loan repayable on 1 May 2019	20 000
bank loan interest unpaid	500
motor vehicle	9 400

What was the working capital?

A $5700 **B** $6200 **C** $15 100 **D** $25 700

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9 Why does a trader account for accrued income?

A so that current liabilities are not overstated

B so that current liabilities are not understated

C so that profit is not overstated

D so that profit is not understated

10 A sole trader provided the following financial information for the year ended 31 December 2018.

	$
purchases	95 000
returns inwards	3 300
returns outwards	2 100
inventory withdrawn for personal use	5 000

Inventory on 31 December 2018 was valued at $1000 more than on 1 January 2018.

What was the cost of sales?

A $85 700 **B** $86 900 **C** $89 000 **D** $97 100

11 A trader has suffered inventory losses due to theft during the year.

What is necessary to calculate the value of the inventory stolen?

1 amounts banked for sales and spent on purchases

2 amounts spent for business expenses

3 inventory at the beginning and end of the year

4 percentage of mark-up on purchase price

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

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12 A business has extracted the following information from its books of account at 31 December 2018, its first year of trading.

	$000
carriage inwards	12
carriage outwards	15
closing inventory	86
purchases	286
returns inwards	10
returns outwards	2
revenue	524

What is the gross profit for the year ended 31 December 2018?

A $301 000 **B** $304 000 **C** $320 000 **D** $328 000

13 Alice and Bharti have been in partnership sharing profits and losses in the ratio of 3 : 2. The balances on the partners' capital accounts at 31 December 2018 are shown.

	$
Alice	32 000
Bharti	18 000

The partners decided to share profits and losses equally with effect from 1 January 2019. There was no goodwill account in the books. Goodwill is valued at $30 000 and is not to be retained in the books of account.

What is the balance on Alice's capital account after the adjustment for goodwill?

A $15 000 **B** $18 000 **C** $35 000 **D** $50 000

14 X, Y and Z are in partnership.

What would be shown in the partnership appropriation account?

1 goods taken for personal use of X

2 interest on a loan made by Y

3 interest on drawings made by Z

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

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15 Which items are capital reserves?

1 debentures

2 retained earnings

3 revaluation reserve

4 share premium

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

16 A company's statement of financial position showed the total equity of $300 000 on 1 July 2018. The following took place during the year ended 30 June 2019.

1 Profit for the year was $77 500.

2 An interim dividend of $9000 was paid. A final dividend of $16 000 was proposed.

3 A transfer of $8000 to the general reserve was made.

What was the total equity at 30 June 2019?

A $344 500 **B** $352 500 **C** $368 500 **D** $376 500

17 The table shows an extract from the financial statements of a limited company.

	$
ordinary share capital ($1 shares)	500 000
share premium	150 000
revaluation reserve	200 000
retained earnings	250 000

What is the maximum dividend per share that can be paid?

A $0.50 **B** $0.80 **C** $0.90 **D** $1.20

18 An investor is looking at the financial statements of a company in which he may decide to invest.

Which item helps him to rely on the financial statements?

A consistency of accounting policies from one period to the next

B estimation of accounting provisions relying on the opinion of managers

C inflation in the currency in which the financial statements are prepared

D lapse of time since the date of the statement of financial position

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19 A company provides the following information for the year ended 31 May 2019.

	$
total purchases	175 000
cash purchases	35 000
inventory 1 June 2018	12 000
inventory 31 May 2019	15 000

What is the rate of inventory turnover (rounded to the nearest whole number)?

A 11 times

B 12 times

C 13 times

D 16 times

20 In 2017 a company was entirely financed by its equity and reserves which total $1 000 000. Its return on capital employed (ROCE) was 28%.

On 1 January 2018 the company issued a 10% debenture of $300 000.

During 2018 the profit from operations increased by 20%. No dividends were paid.

What was the ROCE for 2018?

A 19.1% **B** 20.9% **C** 23.4% **D** 25.8%

21 A company's production workers are paid $16 an hour basic pay for working 7 hours a day. Overtime is paid at the rate of a time and a quarter (basic pay plus 25%). An additional bonus is also paid at the rate of $4 per unit for output in excess of 20 units per day.

On Monday one employee worked 10 hours and produced 25 units.

What is the employee's pay for Monday?

A $192 **B** $220 **C** $272 **D** $300

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22 The inventory movements of a business in a three-month period are shown.

date	receipts		issues
	units	per unit	units
January	200	$10	
January	400	$12	
February			100
March			400

The business uses the AVCO method of inventory valuation.

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

A $1000 **B** $1100 **C** $1133 **D** $1200

23 A manufacturer has an inventory at the end of the first year of operation.

What is the impact on profit if the manufacturer is considering using either marginal costing or absorption costing?

A The profit is the same if using either marginal costing or absorption costing.

B The profit using absorption costing is higher because the inventory includes fixed overheads.

C The profit using absorption costing is lower because all the fixed overheads are deducted.

D The profit using absorption costing is lower because fixed overheads are under absorbed.

24 A business has provided the following costing information for its production departments.

	machining	assembly
total production overheads	$180 000	$260 000
machine hours	65 000	38 000
labour hours	42 000	76 000

What would be a suitable overhead absorption rate for each department?

	machining $	assembly $
A	2.77	3.42
B	2.77	6.84
C	4.29	3.42
D	4.29	6.84

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25 A company uses a machine hour basis to absorb its overheads.

The following information is provided for its last period.

	actual	budgeted
overheads	$299 000	$350 000
machine hours	46 000	50 000

Which statement regarding overheads is correct?

A They were over absorbed by $23 000.

B They were under absorbed by $23 000.

C They were over absorbed by $51 000.

D They were under absorbed by $51 000.

26 A business provided the following information about a product.

	per unit $
selling price	15.00
variable cost	9.00
fixed cost	4.20

Budgeted production and sales were 1200 units.

What was the profit made for actual production and sales of 1500 units?

A $2700 **B** $3960 **C** $6660 **D** $9000

27 A manufacturer has limited labour hours available to produce three types of products.

Which factor should be considered in order to maximise the profit?

A break-even of each product

B profit per unit of each product

C contribution per unit of each product

D contribution per labour hour of each product

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28 A business provided the following information about a product.

	per unit $
selling price	20.00
variable cost	12.50
fixed cost	3.50

What is the contribution to sales ratio?

A 20% **B** 37.5% **C** 62.5% **D** 80%

29 A company has fixed costs of $8000, which will only increase when production exceeds 40 000 units.

It makes and sells 20 000 units of a single product. Each unit has a selling price of $10 and has a contribution to sales ratio of 40%.

By how much does the profit increase if it makes and sells 30 000 units?

A $32 000 **B** $40 000 **C** $92 000 **D** $120 000

30 Which statements describe the advantages to a business of using a budgetary control system?

1 Budget holders are accountable for controllable costs.

2 Costs are controlled by comparing their actual and budgeted levels.

3 The budget holders' performance is measured on the quality of their output.

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

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