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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **May/June 2020**

1 hour

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has **12** pages. Blank pages are indicated.

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1 The owner of a business purchased a camera to take some photographs of her family.

She wishes to include it as an asset in the financial statements of the business. Her accountant says that she should **not** do this.

Which accounting principle is the accountant applying?

A business entity

B consistency

C going concern

D realisation

2 What are the characteristics of non-current assets?

1 They are not intended for resale.

2 They provide future economic benefits.

3 They prevent the company from going out of business.

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

3 A business has a year end of 31 December. It depreciates its motor vehicles over four years using the straight-line method. A full year's depreciation is charged in the year of purchase, but none in the year of sale.

A motor vehicle purchased on 1 July 2016 for $18 000 had an estimated residual value of $4000. The motor vehicle was sold for $5000 on 31 December 2019.

What was the profit or loss on disposal?

A $1000 loss

B $1000 profit

C $2500 loss

D $2500 profit

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4 The following information is available in respect of the purchase of a new machine.

	$
machine cost	80 000
less 10% trade discount	8 000
	72 000
delivery cost	1 200
installation cost	1 800
annual maintenance cost	4 000

The business plans to keep the machine for 5 years. It is expected to be sold for $5000.

What will be the annual depreciation charge using the straight-line method?

A $13 400 **B** $14 000 **C** $14 800 **D** $15 600

5 What does the debit side closing balance carried down and the credit side opening balance brought down represent in a sales ledger control account?

	debit side closing balance carried down	credit side opening balance brought down
A	owing from customers	owing from customers
B	owing from customers	owing to customers
C	owing to customers	owing from customers
D	owing to customers	owing to customers

6 The trial balance of a business did not agree and a suspense account was opened.

The following errors were then discovered.

1 The sales journal total of $9150 had been credited to both the sales account and the sales ledger control account.

2 The purchases journal total of $3450 had been entered correctly in the purchases account but as $3350 in the purchases ledger control account.

3 Motor expenses of $6450 paid by cheque had only been entered in the bank account.

What was the opening balance in the suspense account?

A $15 700 credit

B $15 700 debit

C $24 650 credit

D $24 650 debit

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7 A bank statement showed an overdraft of $750. The following was then discovered.

1 A cheque issued in payment of rent for $570 had not been presented.

2 A cheque for $624 received was not shown on the bank statement.

3 The bank statement included a bank charge of $50 which had not been entered in the cash book.

What amount of overdraft should appear in the statement of financial position?

A $646 **B** $696 **C** $754 **D** $1894

8 What is a purpose of financial statements?

A to aid managers to manage the business

B to allow the owner to take drawings

C to ensure a profit is made

D to ensure accuracy of the double entry

9 An electricity accrual of $375 was treated as a prepayment when preparing a trader's income statement.

What was the effect of this on the profit for the year?

A overstated by $375

B overstated by $750

C understated by $375

D understated by $750

10 The draft financial statements of a business show a profit for the year of $64 000 before taking account of the following:

1 the reduction of the provision for doubtful debts by $300

2 the purchase of office stationery costing $2400 which has not been entered in the books; only one-sixth of this stationery was used by the year end.

What is the corrected profit for the year?

A $61 900 **B** $63 900 **C** $64 100 **D** $64 300

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11 A company receives rental income from letting out two properties. Total rental income received from these two properties for the year ended 31 December 2019 was $55 000.

Further information relating to these two properties was as follows.

	property 1	property 2
	$	$
rent received in advance		
1 January 2019	1840	
31 December 2019		720
rent receivable in arrears		
1 January 2019		2120
31 December 2019	1100	

What was the total amount of rental income shown in the income statement for the year ended 31 December 2019?

A $54 340 **B** $54 900 **C** $55 100 **D** $55 660

12 Finn provided the following information.

	$
capital at the start of the year	19 800
profit for the year	24 000
drawings (cash)	19 500
drawings (goods for own use)	1 100
private vehicle transferred to business use	6 000

What was Finn's capital at the end of the year?

A $23 200 **B** $24 300 **C** $29 200 **D** $31 400

13 What would be recorded in a partnership appropriation account?

1 interest on capital

2 interest on drawings

3 interest on loan by partner to partnership

4 interest on bank overdraft

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

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14 X and Y were in partnership and shared their profits equally. On 1 March 2019, Z is admitted as a partner.

In future they will share profits in the ratio X, Y and Z, 3 : 2 : 1. The net assets valued at $20 000 have lost $8000 in value. Goodwill is valued at $9000 but will not be retained in the books of account.

What will the entries in the capital accounts of Y be to record these changes?

	debit $	credit $
A	4500	9000
B	4500	7000
C	6000	4500
D	7000	4500

15 The statement of financial position showed the following balances at 31 December 2019.

	L $	M $
capital accounts	20 000	10 000
current accounts	1 000 debit	2 500 credit

Net assets at 1 January 2019 were $14 000.

Property had been revalued upwards by $12 000 during the year ended 31 December 2019. No drawings had been made during the year.

What was the profit for the year ended 31 December 2019?

A $2500 **B** $5500 **C** $14 500 **D** $17 500

16 'Shareholders are entitled to a fixed annual dividend with any unpaid dividends being paid out of future profits.'

What does this statement describe?

A cumulative preference shares

B debentures

C ordinary shares

D participating preference shares

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17 Which statements about a bonus issue of ordinary shares are correct?

1 It will generate extra funds for the company.

2 The company's liquidity is not affected.

3 Shareholders can sell their bonus shares.

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

18 The following information is available for T Limited.

	30 June 2018	30 June 2019
	$	$
retained earnings	94 000	148 000
general reserve	50 000	65 000
accrued loan interest	3 000	1 000

During the year ended 30 June 2019, T Limited made the following payments.

	$
dividend	60 000
loan interest	27 000

What was the profit from operations for the year ended 30 June 2019?

A $104 000 **B** $114 000 **C** $129 000 **D** $154 000

19 Which ratio tells managers how long it takes to receive payment for goods sold on credit?

A current ratio

B liquid (acid test) ratio

C trade payables turnover

D trade receivables turnover

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20 The following information is available for G Limited for the year ended 31 December 2019.

	$
share capital	275 000
long-term bank loan	180 000
current liabilities	120 000
profit from operations	244 000
bank loan interest	34 000
retained earnings including profit for the year	400 000

What was the return on capital employed?

A 21.54% **B** 24.56% **C** 25.03% **D** 28.54%

21 A company has been asked to prepare a quotation to print 100 leaflets for a customer. The total cost of direct materials, direct labour and a share of overheads is $820 and a profit of 25% on cost has been added.

Which costing method is this an example of?

A absorption costing

B job costing

C marginal costing

D unit costing

22 Which expense for a business may be classified as a stepped cost?

A direct labour

B direct materials

C factory rent

D telephone

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

date	receipts		issues units
	units	per unit	
January	100	$5	
January	200	$6	
February			50
March			200

The business uses the first in first out (FIFO) method of inventory valuation.

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

A $250 **B** $275 **C** $283 **D** $300

24 A company uses absorption costing based on predetermined absorption rates.

Which statement about absorption rates is correct?

A They will be based on budgeted costs and outputs.

B They will be calculated only when actual costs and outputs are known.

C They will be changed each time outputs and costs change.

D They will be set for a period of more than one year.

25 A business absorbs fixed overheads using direct labour hours.

The following information is provided.

	actual	budgeted
overheads	$525 000	$525 000
direct labour hours	16 300	15 000
indirect labour hours	2700	2500

Which statement is correct?

A Overheads were over absorbed by $45 000.

B Overheads were under absorbed by $45 000.

C Overheads were over absorbed by $45 500.

D Overheads were under absorbed by $45 500.

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26 The data relate to the production of three products.

	product X $	product Y $	product Z $
contribution per unit	160	175	190
fixed overhead per unit	125	130	160
labour hours per unit	1	1.25	0.75

The company is experiencing a shortage of labour.

In which order should the products be ranked to maximise profit?

	1	2	3
A	X	Y	Z
B	Y	X	Z
C	Z	X	Y
D	Z	Y	X

27 A company has the following budgeted information for May.

	$
selling price (per unit)	120
variable costs (per unit)	80
total fixed costs	56 000

The company is planning to buy a new machine which will reduce the variable costs by 20% and increase fixed costs by 20%.

What is the change in break-even sales in units?

A increase by 200 units

B decrease by 200 units

C increase by 700 units

D decrease by 700 units

28 What does cost–volume–profit analysis assume causes costs to change?

1 production methods

2 sales mix

3 sales volume

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

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29 A business has a sales revenue of $400 000 and total fixed cost of $140 000. Its contribution to sales ratio is 40%.

What is the sales revenue if profit for the year increases by $40 000?

A $360 000 **B** $450 000 **C** $480 000 **D** $500 000

30 Budgetary control systems have just been introduced by a company but employees have not achieved their targets.

Reasons given for this are as follows:

1 The budget was unrealistic.

2 Actual trading conditions differed from budget assumptions.

3 The workforce needs more training.

Which reasons should be considered when evaluating employees' performance?

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

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