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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **October/November 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 A company decided **not** to capitalise the purchase of a stapler for use in its office.

Which accounting concept was the company applying?

A consistency

B duality

C materiality

D prudence

2 Which book of prime entry is also used as a ledger account?

A cash book

B purchases journal

C sales journal

D journal

3 A motor vehicle costing $8000 is depreciated by 25% per annum using the reducing balance method. After depreciating it for two years it was sold for $4000.

What is the profit or loss on disposal?

A $500 loss

B $500 profit

C $2000 loss

D $2000 profit

4 A business purchased a new delivery van. The total amount paid is made up of the basic cost of the delivery and the following:

1 changing the inside to carry tools and materials

2 one year's insurance and servicing

3 painting the exterior with the business name

Which items are included in the total to be entered in non-current assets?

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

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5 A business owner suspects that a loss of cash has occurred. He provides the data shown.

	$
cash balance at the start of the month	150
cash balance at the end of the month	100
cash banked	10 200
cash sales for the month	10 500

How much cash has been lost?

A $200 **B** $250 **C** $300 **D** $350

6 The difference on a trial balance is entered in a suspense account. It is discovered that a discount received has been debited to the discount allowed account.

Which journal entry corrects the error?

	account(s) to be debited	account(s) to be credited
A	discount received	suspense
B	discount allowed discount received	suspense
C	suspense	discount allowed
D	suspense	discount allowed discount received

7 Which items will be entered in the debit side of the purchases ledger control account?

1 contra with sales ledger control account

2 discount received

3 returns inwards

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

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8 The bank column of a business cash book showed a debit balance of $25 000.

The following was then discovered.

	$
direct debit payments not recorded in the cash book	6500
payments for sales made directly into the bank by customers but not recorded in the cash book	5500
bank charges not recorded in the cash book	1500
payment made by the business but not yet shown in the bank statement	4500

What was the correct cash book balance?

A $18 000 **B** $19 500 **C** $22 500 **D** $27 500

9 At the year end a company discovers that some of its inventory is damaged.

This inventory originally cost $2000 and to replace it would now cost $1900.

It would normally sell for $2400 but can now only be sold for $2200 if repairs costing $400 are undertaken.

What value of the damaged inventory should be shown in the financial statements?

A $1800 **B** $1900 **C** $2000 **D** $2200

10 The following information relates to rent receivable for the year ended 31 March 2020.

	$
1 April 2019 rent owed by the tenants	700
1 April 2019 rent prepaid by the tenants	1200
rent received during the year	7800
31 March 2020 rent owed by the tenants	1000

How much is the rental income entered in the income statement for the year ended 31 March 2020?

A $6300 **B** $7300 **C** $8300 **D** $9300

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11 A business has provided the following information.

A provision for doubtful debts has been calculated as $1750. It is based on 5% of trade receivables after an irrecoverable debt of $4200 had been written off.

What was the original amount of trade receivables before making these adjustments?

A $29 050 **B** $30 800 **C** $37 450 **D** $39 200

12 A sole trader provides the following information.

	start of year $	end of year $
total assets	100 000	135 000
total liabilities excluding owner's capital	35 000	40 000

During the year the owner took drawings of $18 000.

What was the profit for the year?

A $12 000 **B** $30 000 **C** $35 000 **D** $48 000

13 On the dissolution of a partnership, one of the partners takes a motor vehicle in part settlement of the amount due to him.

How is this entered in the books of account?

	debit account	credit account
A	capital	motor vehicle
B	capital	realisation
C	realisation	capital
D	motor vehicle	capital

14 At 31 December 2019 X, Y and Z were in partnership sharing profits and losses equally.

At that date the net assets of the partnership were valued at $300 000 and X's capital account balance was $70 000.

On 1 January 2020 X retired. The net assets were then revalued upwards by $90 000.

X left half of the amount due to him on retirement as a loan to the partnership.

What was the value of the partnership's net assets remaining after X's retirement?

A $220 000 **B** $230 000 **C** $290 000 **D** $350 000

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15 Which items would appear in a partnership's appropriation account?

1 partners' interest on capital

2 partners' introduction of new capital

3 salaries of employees

4 salaries of partners

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

16 Which item will affect the total equity of a limited company?

A bonus issue of shares

B issue of debentures

C proposed dividend

D rights issue of shares

17 A company makes a fully subscribed rights issue of 100 000 ordinary shares of $1 each at $1.20. The market value of a share at that date was $1.30. Half of the rights issue proceeds were used to repay a long-term loan.

By how much did the company's capital employed increase?

A $60 000 **B** $65 000 **C** $120 000 **D** $130 000

18 Where are dividends paid during the year recorded in the financial statements of a limited company?

1 income statement

2 statement of changes in equity

3 statement of financial position

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

19 Which ratios identify how well a business has utilised its resources?

1 inventory turnover

2 non-current asset turnover

3 profit margin

4 return on capital employed

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

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20 A business provided the following information at the year end.

	$
non-current assets	75 000
current assets	25 000
current liabilities	18 000
profit for the year	28 000

There were no interest charges for the year.

What was the return on capital employed?

A 23.73% **B** 28.00% **C** 34.15% **D** 37.33%

21 Anna is paid an hourly rate for each hour worked. She also receives an additional $0.25 for every unit produced in excess of 200 units a week.

Which method of labour remuneration is used to pay Anna?

A fixed rate only

B fixed rate plus bonus

C fixed rate plus commission

D fixed rate plus piece rate

22 A business uses the first in first out (FIFO) inventory system. The following information is available.

date	details	units	per unit value $
1 March	opening inventory	1 200	10.00
12 March	purchases	2 000	10.20
22 March	sales	3 000	15.00
26 March	purchases	800	10.50

The inventory at 31 March could be sold for $10 800.

What is the value of inventory to be included in the statement of financial position at 31 March?

A $10 000 **B** $10 425 **C** $10 440 **D** $10 800

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23 The following data is available for the production department of a manufacturing company for a period. Overheads are absorbed on a direct labour hour basis.

	direct labour hours	total overhead costs $
budgeted	96 000	242 880
actual	97 600	253 760

What is the over or under absorption of overheads for the period?

A $6832 over absorbed

B $6832 under absorbed

C $10 880 over absorbed

D $10 880 under absorbed

24 The records of a company showed the following.

	machining	assembly
total fixed overheads	$150 000	$60 000
machine hours	3000	
employee hours worked		2000

What is the hourly fixed overhead absorption rate for the machining department?

A $30 **B** $42 **C** $50 **D** $70

25 Which costs are included in inventory valuation under absorption costing?

1 fixed manufacturing overhead

2 variable manufacturing overhead

3 variable selling expenses

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

26 What would cause a margin of safety of a product to increase?

1 Break-even revenue decreases.

2 Break-even revenue increases.

3 Forecast revenue decreases.

4 Forecast revenue increases.

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

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27 A company makes and sells a single product for $50 per unit.

The variable cost is $16 per unit.

Fixed costs have been absorbed based on a normal activity level of 1000 units at $4 per unit.

What is the profit under marginal costing if the company makes and sells 2000 units?

A $32 000 **B** $60 000 **C** $64 000 **D** $68 000

28 Which purpose is cost–volume–profit analysis used for?

A comparing actual and budgeted costs

B organising resources in the most efficient way

C planning to achieve targeted profit

D preparing annual financial statements

29 The following budgeted information is available.

units	total cost $
7000	15 000
9000	19 000

If production exceeded 9000 units, fixed costs would increase by $500.

What is the total budgeted production cost for 10 000 units?

A $20 500 **B** $21 000 **C** $21 500 **D** $21 750

30 Which statement does **not** apply to an efficient system of business planning?

A It identifies levels of achievable costs and revenues.

B It identifies budgets when a business is only making a loss.

C It identifies targets regularly to monitor future performance.

D It informs management if standards are not met.

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