Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **February/March 2018**

1 hour

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

* 2 3 2 7 1 6 2 7 3 8 *

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.

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1 What would **not** be a purpose of ledger accounts?

A to assist in the preparation of the financial statements

B to assist in the preparation of the trial balance

C to record the double entry from the subsidiary books

D to verify the accuracy of the book-keeping system

2 Which accounting concepts apply to depreciation?

1 consistency

2 matching

3 money measurement

4 prudence

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

3 A motor vehicle was purchased for $12 000 on 1 January 2015. Its estimated residual value was $7000 and expected life 5 years. Depreciation was calculated on a month-by-month basis using the straight-line method.

It was sold on 30 June 2017 and there was a loss on disposal of $2560.

What were the sale proceeds?

A $3440 **B** $4352 **C** $6440 **D** $6940

4 The following information relates to a motor vehicle part-exchanged for a new vehicle in the year.

	$
cost of old vehicle	20 000
accumulated depreciation at the date of sale	8 000
profit on disposal	3 000
cost of new vehicle	25 000

The balance payable for the new vehicle was paid from the business bank account.

How much was the payment from the bank account?

A $9000 **B** $10 000 **C** $15 000 **D** $20 000

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5 The table shows information in a purchases ledger control account at the year-end.

	$
cash paid to suppliers	36 000
credit purchases	55 000
discount received	7 800
balance carried down (balancing figure)	35 000

What was the credit balance brought down at the beginning of the year?

A $8200 **B** $23 800 **C** $46 200 **D** $61 800

6 A sole trader withdraws goods for his own use.

How does this affect his financial statements?

	income statement	statement of financial position
A	decrease closing inventories	decrease drawings
B	decrease cost of goods sold	increase drawings
C	increase cost of goods sold	decrease drawings
D	increase sales revenue	increase drawings

7 Which error would affect the balancing of a trial balance?

A A payment for rent of $250 has been debited in the bank account. It has been entered correctly in the rent account.

B A purchase invoice for $259 was entered in the purchases journal.

C A sales invoice for $180 was lost, before it could be entered in the sales journal.

D A sales return of $500 was debited in the customer's account and credited to the purchases returns account.

8 Which group would appear only on the credit side of a sales ledger control account?

A cash refunds, contras with the purchases ledger control accounts, sales

B cash refunds, contras with the purchases ledger control accounts, sales returns

C irrecoverable debts written off, cash received, discounts allowed

D irrecoverable debts written off, cash refunds, sales

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9 A company has a year-end of 31 December.

Its inventory records on that date showed an inventory of 600 units with a cost of $10 each.

A fire on 31 December had totally destroyed 100 units and caused a further 50 units to be damaged. These would cost $7 each to be repaired.

The inventory records had not been adjusted for the fire. The selling price is $15 per unit.

What is the value of the inventory to be used in the financial statements at 31 December?

A $4500 **B** $4850 **C** $4900 **D** $5400

10 A business has a draft profit for the year of $182 750.

The following adjustments have not yet been made.

1 a decrease of $2800 in the provision for doubtful debts

2 a prepayment of rent by the tenant of $3900 at the year-end

What is the actual profit for the year?

A $176 050 **B** $181 650 **C** $183 850 **D** $189 450

11 Which rule does **not** apply in the absence of a partnership agreement?

A interest on loans is charged at 6% per annum

B no interest on capital is charged

C no salaries are paid to partners

D profits and losses are shared equally between the partners

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12 The partnership of Ravi and Tania, who shared profits equally, was dissolved.

The capital accounts prior to dissolution were Ravi $50 000 and Tania $60 000.

The current accounts balances prior to dissolution were Ravi $35 000 credit and Tania $35 000 credit.

The loss on disposal of partnership net assets was $10 000.

How much money did each partner receive when the partnership was dissolved?

	Ravi $	Tania $
A	45 000	55 000
B	80 000	90 000
C	85 000	95 000
D	90 000	100 000

13 A company issues 50 000 ordinary shares of $5 each at a premium of $15. It also issues a 4% debenture, $300 000.

By which amount do the net assets of the company increase?

A $250 000 **B** $550 000 **C** $1 000 000 **D** $1 300 000

14 Which statements describe a capital reserve?

1 It is a reserve arising from a gain which is not yet realised.

2 It is a reserve created by transferring an amount from profit for the year.

3 It is a reserve which can be credited back to retained earnings if not used.

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

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15 The following is an extract from a statement of changes in equity.

	ordinary share capital $	share premium $	general reserve $	retained earnings $
balance at the start of the year	75 000	15 000	3000	45 000

During the year the following occurred.

1 An interim dividend of $4875 was paid.

2 A final dividend of $6000 was proposed.

3 $2500 was transferred to the general reserve.

What was the balance of retained earnings at the end of the year?

A $31 625 **B** $36 625 **C** $37 625 **D** $42 625

16 The following has been extracted from the financial statements of a business.

	$
revenue	135 000
total capital employed	575 000
non-current assets	180 000

What is the non-current asset turnover?

A 0.31 times

B 0.75 times

C 1.33 times

D 3.19 times

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17 The statement of financial position of X Limited at 31 December 2017 shows the following.

	$000
non-current assets	1350
current assets	140
ordinary share capital	900
general reserve	150
10% debentures	200
current liabilities	90
retained earnings	150

The profit from operations for the year was $65 000 and the finance costs were $20 000.

What is the return on capital employed for 2017?

A 3.21% **B** 4.64% **C** 5.7% **D** 5.91%

18 Which business would use a job costing system of accounting?

A a beauty parlour

B a chocolate factory

C a dairy milk farmer

D an oil refinery

19 What is a direct cost?

A one that can be traced to a cost item

B one that is always fixed

C one that is always semi-variable

D one that is always variable

20 A company pays its employees $6.80 per hour for a basic 40-hour week. An overtime premium of 50% is payable together with a production bonus of $0.25 per unit for all units produced over 350. Employees are guaranteed a weekly wage of $330.

One employee worked 45 hours last week and produced 410 units.

What was the employee's gross pay that week?

A $330 **B** $338 **C** $372 **D** $474

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21 Adam records his inventory using the AVCO (perpetual inventory) to calculate its value.

Which statement is correct?

A He only values it at the end of the month.

B He only values it at the year-end.

C He values it at the same price throughout the year.

D His inventory is valued after every purchase and issue.

22 Which statements about absorption costing are correct?

1 It can be used as a basis for calculating the selling price of a product.

2 It ensures that all the costs of the business are charged to the production.

3 It ensures that only variable costs are charged to production.

4 It is used to calculate the factory cost for a unit of production.

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

23 How is the margin of safety calculated?

A actual contribution less budgeted contribution

B actual profit less budgeted profit

C budgeted contribution less break-even point

D budgeted sales less break-even point

24 A business provides the following information about a product.

	$
variable cost per unit	16
selling price per unit	30
total fixed costs	35 000
budgeted profit	95 000

How many units should it produce to achieve the budgeted profit?

A 4286 **B** 4334 **C** 6786 **D** 9286

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25 A business provides the following financial information.

	$ per unit
selling price	41
direct materials	5
direct labour	8
variable overhead	3
fixed overhead	4
profit	21

What is the marginal cost per unit?

A $13 **B** $16 **C** $20 **D** $25

26 Which factor will determine the optimum production plan in a limited resource situation?

A maximum contribution per unit of limited resource

B maximum contribution per unit of production

C maximum profit per unit of limited resource

D maximum profit per unit of production

27 A company manufactures two products.

per unit	product X $	product Y $
selling price	20	30
direct labour	10	20
direct materials	4	2

Total fixed costs are $54 000.

Only 3000 units of Y can be made and sold.

How many units of product X must be made and sold to break even?

A 4000 **B** 4500 **C** 5000 **D** 9000

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28 A company uses absorption costing and makes and sells one product. In the last month budgeted overheads totalled $60 000. Budgeted production was 15 000 units and budgeted sales were 14 000 units.

The company now decides to apply marginal costing principles for last month.

What effect will this have on profits?

A $3500 decrease

B $3500 increase

C $4000 decrease

D $4000 increase

29 A business has recorded the following total costs for the last two months.

	units produced	total costs ($)
month 1	8 000	31 800
month 2	10 000	36 700

What was the total fixed cost per month?

A $2440 **B** $4900 **C** $7340 **D** $12 200

30 A company has recently introduced a system of budgetary control.

Workers have given the following reasons for materials costs being more than budgeted.

1 Budgeted material costs are incorrect.

2 Production machinery is outdated and wastes materials.

3 The company should purchase better quality materials to reduce wastage.

Which reasons will cause actual material costs to be different from the budgeted costs?

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

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