UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **May/June 2012**

1 hour

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

7981789123

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, highlighters, 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.

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 journal entry 'Debit Subscription Income, Credit Creditors' was made in the accounting records of a club.

What does this represent?

A subscriptions owed by members

B subscriptions received by cheque

C subscriptions received in advance

D subscriptions refunded to members

2 A business starts trading on 1 May 2011.

The table shows rent paid on the premises.

date	period	$
2 May 2011	1 May – 30 Jun	1 000
3 Jul 2011	1 Jul – 30 Sep	1 500
2 Oct 2011	1 Oct – 31 Dec	1 500
4 Jan 2012	1 Jan – 31 Mar	1 560
1 Apr 2012	1 Apr – 30 Jun	1 560

Which figure should be shown in the financial statements for prepaid rent on 30 April 2012?

A $520 **B** $1 000 **C** $1 040 **D** $1 560

3 Which asset is often revalued in a business's accounts?

A buildings

B inventory

C IT equipment

D trade receivables

4 The principle of prudence in the preparation of financial statements is practised through the application of which action?

A create additional reserves

B exclude unpaid credit sales

C overstate the liabilities

D provide for anticipated losses

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5 What is evidence that a company's financial statements are true and fair?

A The directors have signed off the financial statements.

B The profit has been agreed with the tax authorities.

C They are filed on time.

D They follow generally accepted accounting principles.

6 The following items appear in the books of a builder.

	$
rent of own home	3 000
rent of builder's yard	2 500
housekeeping expenses	2 000
overalls	100
loose tools	300
equipment	3 000
lorries	1 500
rates on business premises	650
rent of business premises	3 500
assistant's wages	3 000

What is the total business expenditure?

A $11 250 **B** $14 550 **C** $16 550 **D** $19 550

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7 At 31 March 2012, a business's bank statement shows that its bank account is overdrawn by $10 136.

Further information is as follows.

	$
cheques drawn, not presented	4 998
cheques paid in, not credited	5 896
bank interest charged, not in cash book	181

What is the correct bank overdraft to be shown in the business's statement of financial position at 31 March 2012?

A $9 057

B $9 238

C $10 853

D $11 034

8 A business has a draft profit for the year of $84 000. It is discovered that the closing inventory was overvalued by $4000 and that discounts received of $1500 were treated as an expense.

What is the corrected profit for the year?

A $81 500 **B** $83 000 **C** $89 500 **D** $91 000

9 Information about a business is given.

	$
production overheads	23 000
opening inventory of raw materials	3 000
purchases of raw materials	35 000
closing inventory of raw materials	2 000
production wages	33 000
production supervisor's salary	2 000

What is the prime cost?

A $69 000 **B** $71 000 **C** $92 000 **D** $94 000

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10 What appears as a credit entry in the appropriation account of a partnership?

A goodwill

B interest on capital

C partnership salaries

D trading profit for the year

11 In which account should a partner's drawings appear in the partnership's end-of-year financial statements?

A appropriation account

B income statement

C partner's capital account

D partner's current account

12 The table shows the assets and liabilities of a club.

	$
non-current assets	10 000
cash at bank	6 400
electricity owing	600
rent prepaid	900
subscriptions:	
in arrears	5 700
in advance	3 800

How much is the accumulated fund?

A $14 200 **B** $14 800 **C** $18 000 **D** $18 600

13 A company purchases a product that costs $120. The company expects to make a gross profit margin of one-third.

What is the company's mark-up?

A $40 **B** $60 **C** $160 **D** $180

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14 The table shows transactions relating to a product during July.

	units	$ (per unit)
purchased	50	4
sold	30	10

Of the remaining units, 8 are damaged and therefore worthless.

What is the profit for July?

A $68 **B** $100 **C** $148 **D** $180

15 The table shows the capital and reserves for a company.

	$000
ordinary shares of $1 fully paid	200
8 % preference shares of $1 fully paid	100
share premium account	80
general reserve	120
retained earnings	50

What is the value of each ordinary share if valued on a balance sheet (net assets) basis?

A $1 **B** $1.40 **C** $2.25 **D** $2.75

16 The following information is given in the financial statements of Primecrop Limited.

	$
ordinary shares	1 200 000
6 % preference shares	250 000
general reserve	120 000
retained earnings	710 000
8 % debentures	400 000

What is the value of ordinary shareholders' funds?

A $1 910 000 **B** $2 030 000 **C** $2 280 000 **D** $2 430 000

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17 A business has noticed a significant increase in its trade receivables collection period.

What would be the most appropriate action to help the firm improve its liquidity position?

A factoring

B issue of shares

C long-term bank loan

D reducing sales

18 Which accounting ratio is used to assess working capital management?

A gross profit ratio

B net profit ratio

C rate of inventory turnover

D return on capital employed

19 The following are extracts from a company's financial statements.

	$
profit for the year before finance charges	100 000
issued share capital	200 000
reserves	80 000
non-current liabilities	260 000

What is the company's return on capital employed?

A 18.5 % **B** 21.7 % **C** 35.7 % **D** 50.0 %

20 Owusu Limited has a constant level of annual sales and a constant gross margin. Each year the inventory increases.

What effect does this have on inventory holding and inventory turnover?

	inventory holding (in days)	inventory turnover (times)
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

21 Which item accounts for the difference between the current and liquid ratios?

A cash and cash equivalents

B inventory

C trade payables

D trade receivables

22 Arun wishes to invest in a business with a skilled workforce which will make a profit in each of the next five years.

Which aspect of financial statements helps Arun to decide where to invest?

A Financial statements deal with past performance.

B Historic cost is based on objective figures.

C Non-monetary values are excluded.

D Provisions can be based on estimates.

23 A company is going to sell a surplus non-current asset.

Which term describes the net book value of the non-current asset in respect of the decision to sell?

A a fixed cost

B a stepped cost

C a sunk cost

D a variable cost

24 What usually makes up the total cost of a manufactured product for inventory valuation purposes?

A cost of production and selling and distribution overhead

B direct materials and direct labour

C direct materials and manufacturing overhead

D prime cost and manufacturing overhead

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25 The actual output for a business is lower than that forecast.

Which costs would normally still be the same as forecast?

1 fixed cost per unit

2 total fixed cost

3 total variable cost

4 variable cost per unit

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

26 Ehsen Nadeen manufactures one product, the miji. Each miji has a selling price of $10 and variable costs of $8 and annual fixed costs total $12 000. Ehsen wishes to make a profit of $14 000 a year.

How many mijis should Ehsen make each year?

A 2600 **B** 6000 **C** 7000 **D** 13 000

27 Which costing method is most suitable for fixing a selling price and which for deciding whether to make or buy in a product?

	fixing of selling price	decision to make or buy in a product
A	absorption costing	absorption costing
B	absorption costing	marginal costing
C	marginal costing	absorption costing
D	marginal costing	marginal costing

28 A business provides the following data.

output level	1	2
direct labour hours	8 500	9 250
total overheads	$123 250	$124 563

The variable overhead cost is $1.75 per direct labour hour.

What is the fixed overheads cost when 8500 labour hours are used?

A $1313 **B** $14 875 **C** $108 375 **D** $123 250

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29 A business uses absorption costing.

Which cost is used to value finished inventory?

A full cost

B prime cost

C variable cost of production

D variable cost of sales

30 The manufacture of which product is best suited to job costing?

A aeroplanes

B medicines

C newspapers

D paint

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