UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Advanced Level

ACCOUNTING **9706/31**

Paper 3 Multiple Choice **May/June 2012**

1 hour

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

* 5 1 7 9 3 1 5 4 9 4 *

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 X and Y are in partnership. The following information has been extracted from their current accounts.

	X $	Y $
opening balances	2 000 dr	3 000 cr
drawings for the year	15 000	18 000
closing balances	1 000 cr	4 000 cr

What was the net profit for the year **before** appropriation?

A $29 000 **B** $33 000 **C** $37 000 **D** $39 000

2 X, Y & Z are in partnership sharing the profits and losses equally. The balances on their capital accounts are $40 000, $35 000 and $32 000 respectively.

Z retires and as part of his settlement takes a car at an agreed value of $4000. The car has a book value of $4600. Goodwill is valued at $15 000.

How much cash will Z receive when he leaves the partnership?

A $32 400 **B** $32 800 **C** $33 000 **D** $37 000

3 When goodwill is **not** adjusted in the books which of the following statements are correct?

1 A new partner does not have to introduce an amount as capital.

2 Non-current assets are undervalued.

3 Partners do not receive credit for their efforts in building up the business.

4 Retiring partners will receive a lower amount of money when leaving the business.

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

4 A company redeems 10 000 preference shares of $5 each at a premium of 5 %. The shares were originally issued at a premium of 10 % but the share premium account has been fully utilised.

How much will be debited to the income statement?

A $2500 **B** $50 000 **C** $52 500 **D** $55 000

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5 A company provides the following financial information at the end of the financial year.

	$ 000
Retained earnings at the start of the year	50
Profit for the year attributable to equity holders	120
Ordinary dividends paid during the year	70
Ordinary dividends proposed payable in the next financial year	30
Transfer to general reserve	20

What is the amount of retained earnings at the end of the financial year?

A $50 000 **B** $70 000 **C** $80 000 **D** $100 000

6 Which pair of statements about the reserves of a limited company is correct?

	revenue reserves	capital reserves
A	can be credited back to retained earnings if no longer needed	created from retained earnings
B	can be used to issue bonus shares	can be credited back to retained earnings if no longer needed
C	can be used to pay cash dividends	can be used to issue bonus shares
D	reduces the amount available to pay dividends when created	can be used to pay cash dividends

7 A company makes a 1 for 2 bonus issue.

What effect will this have?

A improve cash flow

B increase shareholders' funds

C reduce an ordinary shareholder's percentage holding

D reduce the value of an ordinary share

8 A limited company purchases a partnership. It issues to the partners 10 % debentures and pays them cash in full settlement of the purchase price.

Which of the following statements is correct?

A The company's gearing is reduced.

B The company intended to expand its business.

C The company's reserves are reduced.

D The partners now own some of the equity in the company.

9 A company buys a business by issuing shares in full payment. The shares have a par value of $1.00 each and an agreed market value of $2.50 each. The assets and liabilities of the business together with the agreed values are as follows.

	net book value $	agreed valuation $
plant and machinery	15 000	22 000
motor vehicles	17 500	13 250
inventory	24 000	21 500
trade receivables	2 500	2 250
trade payables	8 000	9 000

How many shares will be issued to satisfy the purchase of the business?

A 20 000 **B** 20 100 **C** 20 400 **D** 51 000

10 The table shows the capital structure of a company.

	$
100 000 ordinary shares of $1 each	100 000
10 % debentures	50 000
reserves	100 000

It increases the debentures by $50 000 and makes a bonus issue of one share for every two held. It then makes a rights issue of a further 100 000 shares at $1 each.

How will these transactions affect the statement of financial position?

	gearing	reserves	bank
A	decrease	decrease	decrease
B	increase	decrease	decrease
C	increase	decrease	increase
D	decrease	increase	increase

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11 The business of a sole trader is bought by a limited company. Details of the sale are shown in the following table.

net assets at valuation	$250 000
agreed purchase price	$280 000
cash paid in part settlement	$40 000
number of $1.00 shares issued	120 000

What is the premium per share?

A $0.75 **B** $1.00 **C** $1.75 **D** $2.00

12 A business has assets with a fair value of $150 000. There is agreed negative goodwill of $30 000. 16 000 ordinary shares of $2.00 each were issued at a premium of $3 each to acquire the net assets.

How much were the liabilities acquired?

A $40 000 **B** $70 000 **C** $88 000 **D** $100 000

13 At the end of the year, the following information has been extracted from a company's statement of cash flows.

	$
total cash from operating activities	200
net cash used by investing activities	(300)
net cash used by financing activities	(150)
closing cash and cash equivalents	(50)

What was the opening figure for cash and cash equivalents?

A $(200) **B** $(300) **C** $200 **D** $300

14 Which items are part of the published accounts of a limited company?

1 chairman's statement

2 income statement

3 report of the directors

4 statement of cash flows

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

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15 To which asset is impairment normally applied each year?

A goodwill

B inventory

C plant and machinery

D trade receivables

16 The following information is taken from the financial statements of a limited company.

	$000
retained earnings at the start of the year	50
profit attributable to equity holders	30
dividends paid during the year	15
dividends proposed payable in the next financial year	10
surplus on revaluation of land during the year	20

What are the retained earnings at the end of the year?

A $55 000 **B** $65 000 **C** $80 000 **D** $100 000

17 Which two actions would **both** increase a company's working capital cycle?

1 increase trade payables; reduce trade receivables

2 increase trade receivables; reduce trade payables

3 reduce inventory; increase trade payables

4 reduce trade payables; increase inventory

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

18 A company's annual published accounts shows the following information.

	$
profit for the year attributed to equity holders	32 000
preference dividends paid during the year	4 000
ordinary dividends paid and proposed for the year	20 000
retained earnings brought forward	68 000

What is the dividend cover for the ordinary shares?

A 3.8 times **B** 1.6 times **C** 1.4 times **D** 0.4 times

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19 A company has provided the following information.

dividends paid during the year – $4 per share

dividends proposed at the year end – $2 per share

market price per share – $50

nominal value per share – $80

What is the company's dividend yield?

A 5.0 % **B** 7.5 % **C** 8.0 % **D** 12.0 %

20 Which ratio can be calculated from the statement of financial position of a limited company?

A the dividend yield per ordinary share

B the earnings per ordinary share

C the market value of an ordinary share

D the net asset value per ordinary share

21 Which transaction will reduce a company's gearing?

A an issue of bonus shares

B an issue of new preference shares

C obtaining a long term loan

D redeeming debentures

22 A manufacturing company adds 10 % to the factory cost of goods produced to determine the price at which goods are transferred from factory to warehouse.

The table shows information taken from the company's income statement at the end of the financial year.

	$
opening inventory of finished goods	137 500
closing inventory of finished goods	159 500

How much should be debited in the income statement for the year for the provision for unrealised profit on stock?

A $2000 **B** $2200 **C** $14 500 **D** $20 000

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23 A company manufactures three products. The following information is obtained in respect of next month's budgeted production.

	product X	product Y	product Z
contribution per unit	$7	$6	$8
contribution per kilo	$3	$4	$6
kilos of material required for production	400	600	1000

Due to problems with suppliers, the company has been advised that only 1800 kilos of material will be available for production next month.

What is the maximum contribution the company can earn?

A $9000 **B** $9600 **C** $13 000 **D** $13 200

24 A process has an input of 6000 kilos at a cost of $118 200. Normal wastage is 10 % of input and this is sold for $6 per kilo. There are no abnormal gains or losses.

What is the cost per kilo of output from the process, to the nearest cent?

A $19.10 **B** $19.70 **C** $21.22 **D** $21.89

25 The following relates to the production and costs of a manufacturer.

production for the period	2400 units
closing stock	400 units
direct material costs	$12 000
direct labour costs	$6 000
factory fixed expenses	$4 080

Closing stock is valued at marginal cost.

What is the marginal cost per unit of the finished goods?

A $7.50 **B** $9.00 **C** $9.20 **D** $11.04

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26 The data shows the budget of a small manufacturing company.

sales in units	6 000	12 000
	$	$
direct materials	18 000	36 000
direct labour	6 000	12 000
production overheads	33 000	45 000
administrative overheads	27 000	27 000

The units are sold for $12 each.

What is the break-even point in units?

A 4500 **B** 6750 **C** 8000 **D** 9000

27 The table shows budgeted production costs for the next period.

costs	output 2000 units	output 4000 units
	$	$
direct material	30 000	60 000
direct labour	48 000	96 000
production overhead	76 000	92 000
	154 000	248 000

What would be the budgeted production cost of 3000 units?

A $141 000 **B** $147 000 **C** $171 000 **D** $201 000

28 The following data is available for a company which sells packed fruit products.

	kg
inventory at 1 January	8 000
Inventory at 31 January	10 000
forecast sales in January	118 000

20 % of the fruit purchased is wasted prior to packing.

What will be the budgeted fruit purchase requirement for January?

A 116 000 kg **B** 120 000 kg **C** 145 000 kg **D** 150 000 kg

29 The following information is available in respect of a company's sales for the last month.

budgeted sales – 30 000 units at $4 per unit

actual sales – 32 000 units at a total sales revenue of $115 000

What was the sales volume variance for the month?

A $8000 adverse

B $8000 favourable

C $13 000 adverse

D $13 000 favourable

30 A product requires a standard 6 hours labour at a standard cost of $13.50 per labour hour.

During the month, 3000 units were made and actual labour time charged to the product was 19 000 hours at a cost of $250 800.

What is the labour rate variance?

A $5400 adverse

B $5400 favourable

C $5700 adverse

D $5700 favourable

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