UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Level

ACCOUNTING **9706/33**

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)

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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 **11** printed pages and **1** blank page.

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1 X and Y are in partnership sharing profits in the ratio of 2:1.

They agree to dissolve their partnership.

At 30 September, their capitals were X $172 000 and Y $99 500.

During October they made a trading profit of $19 500, before selling all their net assets for $285 000, less legal costs of $3000.

How much does each partner receive on the dissolution?

	X $	Y $
A	166 000	96 500
B	179 000	103 000
C	183 000	105 000
D	191 000	109 000

2 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

3 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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4 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

5 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

6 An extract from a company's financial statements is as follows

	$
ordinary share capital (shares of $1.00)	1 000 000
retained earnings	(300 000)
	700 000

The directors have decided to write off the debit balance on the retained earnings account together with goodwill of $100 000.

The shareholders agreed to exchange their shares for new ordinary shares of $0.50.

How many shares will the directors have to issue to the shareholders?

A 600 000 **B** 700 000 **C** 1 200 000 **D** 1 400 000

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7 A company has the following capital and reserves:

	$000
ordinary shares of $1 each, fully paid	1250
share premium account	100
revaluation reserve	200
general reserve	150
retained earnings	210

It is company policy to maintain reserves in their most flexible form.

The company makes a 1-for-5 bonus issue.

What is the maximum amount of distributable reserves after the bonus issue?

A $110 000 **B** $310 000 **C** $360 000 **D** $410 000

8 Which of the following actions will improve a company's liquidity?

A making an issue of bonus shares

B making a rights issue of shares

C reducing the provision for doubtful debts

D reducing the rate of depreciation on non current assets

9 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

10 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

11 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

12 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

13 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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14 To which asset is impairment normally applied each year?

A goodwill

B inventory

C plant and machinery

D trade receivables

15 The following information relates to the shares of a limited company.

price earnings (P / E) ratio	14
	$
earnings per share (EPS)	0.60
dividend per share	0.40

What is the market price of an ordinary share?

A $2.80 **B** $5.60 **C** $8.40 **D** $14.00

16 A company owns three non-current assets. An impairment review reveals the following.

asset	carrying value $	value in use $	fair value less costs to sell $
1	40 000	50 000	30 000
2	30 000	25 000	27 000
3	20 000	22 000	24 000

What total value of non-current assets will be shown in the statement of financial position?

A $75 000 **B** $79 000 **C** $87 000 **D** $90 000

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17 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

18 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 %

19 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

20 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

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21 A manufacturing company transfers goods from the manufacturing account to the finished goods account at cost plus 20 %.

The following information is available for the production during June.

opening inventory of finished goods – 2000 units at a cost price of $10 000

transfers from the manufacturing account – 8000 units at a transfer price of $48 000

closing inventory of finished goods – 1500 units at a transfer price of $9000

Which journal entry shows the adjustment for unrealised profit?

	income statement	$	provision for unrealised profit account	$
A	credit	500	debit	500
B	credit	2000	debit	2000
C	debit	500	credit	500
D	debit	1500	credit	1500

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

production for the period	1200 units
closing inventory	200 units
direct material costs	$10 000
direct labour costs	$2 000
factory fixed expenses	$3 000

Production and closing inventory are valued using the total absorption costing method.

What is the cost per unit of the finished goods?

A $10.00 **B** $12.00 **C** $12.50 **D** $15.00

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23 The maximum amount of material available for the manufacture of products X and Y is 6400 kilos.

Information regarding the products is as follows

product	X	Y
maximum demand (units)	2000	2000
contribution per unit	$15	$11
material required (kilos per unit)	4	2
contribution per kilo of material	$3.75	$5.50

Which planned production will produce the maximum profit?

	product X	product Y
A	none	2000 units
B	600 units	2000 units
C	1000 units	1200 units
D	1600 units	none

24 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

25 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

26 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

27 A company makes a single product. The following information is available for last month.

	budget	actual
sales (in units)	100 000	120 000

	$	$
sales	500 000	580 000
direct costs	120 000	150 000
variable overheads	80 000	92 000
fixed overheads	170 000	188 000
profit	130 000	150 000

What is the budgeted profit for actual output?

A $156 000 **B** $170 000 **C** $172 000 **D** $190 000

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28 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

29 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?

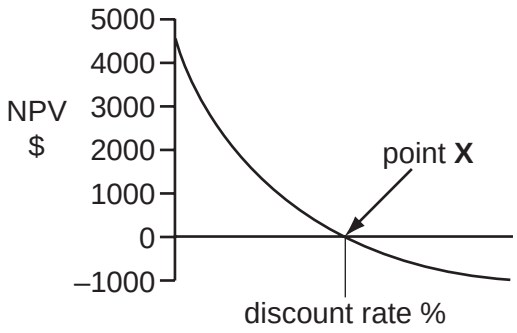
A $5400 adverse

B $5400 favourable

C $5700 adverse

D $5700 favourable

30 The graph below relates to a project being considered by a company as a possible investment opportunity.



What does point **X** represent?

A accounting rate of return

B break-even point

C internal rate of return

D payback period

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