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

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **May/June 2013**

1 hour

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

7357873699

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.
DO **NOT** WRITE ON 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.

This document consists of **10** printed pages and **2** blank pages.

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1 A trader made four transactions.

1 paid for repairs to manufacturing equipment

2 purchased an item to be used by the business for more than 12 months

3 took goods for resale for his own use

4 transferred his own vehicle to the business

Which items are capital expenditure?

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

2 A payment from a credit customer has been credited to cash sales.

Which entries correct this error?

	account to be debited	account to be credited
A	customer	bank
B	customer	sales
C	sales	bank
D	sales	customer

3 A statement of financial position includes a 10% provision for doubtful debts totalling $7800. The income statement shows bad debts written off of $750 and bad debts recovered of $150.

What was the original value of trade receivables?

A $78 000 **B** $78 600 **C** $78 750 **D** $78 900

4 A club's income and expenditure account for 2012 showed rent and rates of $4000.

On 31 December 2012 rent owing was $600 and rates paid in advance was $800.

What was the amount shown in the receipts and payments account for rent and rates for the year ended 31 December 2012?

A $3800 **B** $4000 **C** $4200 **D** $5400

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5 At the beginning of the year a business has a provision for doubtful debts of $2600. At the year end the provision is to be 5% of trade receivables.

The balance on the sales ledger control account at the year end is $69 200, before writing off a bad debt of $480.

The business operates a separate bad debts account.

What is the entry in the income statement for the provision for doubtful debts?

A $836 credit **B** $836 debit **C** $860 credit **D** $860 debit

6 The table below shows how a non-current asset appears in the statement of financial position.

	$
non-current asset at cost	120 000
accumulated depreciation	(18 000)
net book value	102 000

The asset is revalued to $136 000.

What is the journal entry to record the revaluation?

		debit $	credit $
A	non-current asset at cost	16 000	
	income statement		16 000
B	non-current asset at cost	16 000	
	accumulated depreciation	18 000	
	revaluation reserve		34 000
C	non-current asset at cost	34 000	
	revaluation reserve		34 000
D	non-current asset at cost	16 000	
	revaluation reserve		16 000

7 A vehicle was part exchanged for a new vehicle.

Which entries record the part exchange?

	account debited	account credited
A	cash	motor vehicles
B	disposal	motor vehicles
C	motor vehicles	cash
D	motor vehicles	disposal

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8 Which transaction would increase the current assets of a business?

A paying credit suppliers $750 cash

B purchasing a non-current asset on credit for $5000

C purchasing inventory on credit for $1000 and selling immediately for $2000 cash

D selling inventory of $1000 at cost price on credit

9 A business has a bank balance of $4800. It pays for materials invoiced at $3000 less trade discount of 30% and cash discount of 10%. A cheque for $450 is received from a customer.

What is the bank balance after these transactions?

A $2250 **B** $2460 **C** $3360 **D** $3450

10 A sole trader pays private expenses from the business bank account and records them as drawings.

Which accounting principle is applied?

A business entity

B going concern

C matching

D prudence

11 A draft statement of financial position shows a bank balance of $1400. The following information is now available.

	$
cheques issued but not yet cleared by the bank	150
bank charges not in the cash book	45
lodgements in the cash book but not on the bank statement	220

Which figure is shown on the bank statement?

A $1285 **B** $1355 **C** $1425 **D** $1515

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12 A suspense account showed the following.

suspense account			
	$		$
purchases	300	balance b/d	120
		Judy	180
	300		300

The business did not maintain control accounts.

Which errors had been made?

	purchases	Judy
A	purchases journal had been overcast by $300	credit sales of $460 had been entered as $640 in Judy's account
B	purchases journal had been overcast by $300	credit sales of $640 had been entered as $460 in Judy's account
C	purchases journal had been undercast by $300	credit sales of $460 had been entered as $640 in Judy's account
D	purchases journal had been undercast by $300	credit sales of $640 had been entered as $460 in Judy's account

13 At the start of the year a business had the opening trade payables of $13 000. At the end of the year it owed $15 000 to trade payables.

During the year it paid them $190 000, after taking a cash discount of $10 000.

What was the amount of the credit purchases for the year?

A $188 000 **B** $192 000 **C** $198 000 **D** $202 000

14 Which error must be corrected by a one-sided journal entry?

A a cheque entered in the cash book but not posted in a ledger account

B a contra entry in the sales ledger control account not entered in the purchases ledger control account

C an error in the total value of sales ledger balances included in the trial balance

D discount allowed entered in a customer's account but not entered in the discount column in the cash book

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15 A trader uses his bank statements and paying in books to produce a summary of his receipts and payments for the year.

Why does he do this?

A in order to calculate his closing inventory

B in order to prepare a bank reconciliation statement

C to be able to calculate total sales and total purchases

D to know the amount of bad debts written off

16 A trader has two departments in his clothes store – men's and women's.

The following information is available.

	men's	women's
sales staff (number)	7	13
floor space	81 m^2	99 m^2
value of non-current assets	$90 000	$135 000
annual sales	$247 000	$403 000

The cost of advertising and distribution is $68 100.

What is the cost for advertising and distribution for the men's department?

A $23 835 **B** $25 878 **C** $27 240 **D** $30 645

17 X and Y are in partnership sharing profits equally. They have capital account balances of $30 000 and $80 000 respectively. Z joins the partnership and pays $10 000 for his share of goodwill. The new profit-sharing ratio is 2 : 2 : 1.

What is the balance on Y's capital account after Z joins?

A $70 000 **B** $75 000 **C** $85 000 **D** $90 000

18 On which basis should inventory be valued?

A historical cost

B lower of cost and net realisable value

C lower of cost and replacement cost

D replacement cost

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19 A vehicle cost $12 000 and its estimated residual value was $2000. The vehicle was depreciated at 25% per annum using the straight line method. After three years the vehicle was sold for $3500.

What was the profit or loss on disposal?

A $500 profit **B** $1000 loss **C** $1000 profit **D** $4500 loss

20 What do the reserves of limited companies include?

A debentures

B ordinary shares

C preference shares

D share premium

21 Which stakeholder in a limited company has a voting right?

A company accountant

B debenture holder

C ordinary shareholder

D preference shareholder

22 Peter is a sole trader whose business is profitable. He is considering going into partnership with Axel, another sole trader, to improve his liquidity.

Which figure from Axel's financial statements is of particular interest to Peter?

A capital

B current assets

C net current assets

D non-current assets

23 The profit margins of a company over two years showed the following.

	31 March year 1	31 March year 2
gross profit margin	37.2%	39.1%
net profit margin	12.2%	11.8%

Which combination of factors could have caused these changes?

A a change in the combination of goods sold leading to lower selling costs

B a loss of trade discounts on purchases but an increase in cash discounts taken from suppliers

C an advertising campaign to promote higher sales leading to higher selling prices

D an increase in both production and selling costs

24 The following information has been extracted from the statement of financial position of a limited company.

	$
6% debenture (2016 – 2018)	20 000
ordinary share capital	
issued – 400 000 ordinary shares of $1 each	400 000
5% preference shares of $1 each	200 000
share premium account	50 000
retained earnings	75 000

What is the value of the shareholders' equity?

A $525 000 **B** $545 000 **C** $695 000 **D** $725 000

25 A company has the following items on its statement of financial position.

	$000
ordinary shares	12 000
10% preference shares	5 000
retained earnings	7 000

The company had made a profit of $5 000 000 of which $2 000 000 is paid in dividends, including $500 000 paid to preference shareholders.

What is the return on capital employed?

A 12.5% **B** 18.75% **C** 20.83% **D** 26.32%

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26 A business provides the following financial information.

	$
opening inventory	24 000
closing inventory	32 000
cost of sales	140 000
sales	220 000

What is the inventory turnover?

A 47 days **B** 54 days **C** 73 days **D** 84 days

27 A business finds that its profit for 2012 is the same whether marginal costing or absorption costing is used.

What does this mean?

A Inventories have been written down to zero value in the period.

B Inventories have decreased during the period.

C Inventories have increased during the period.

D Inventories have stayed the same during the period.

28 A baker receives one order for 350 loaves of bread.

Which costing method will the baker use?

A absorption costing

B batch costing

C job costing

D unit costing

29 A company manufactures and sells chairs. The following financial information is available.

per unit	$
selling price	25
direct material and labour	12
other variable production costs	3
variable selling costs	2
fixed costs	4

The company has the option of buying in the chairs for resale instead of making them.

At which purchase price would the company's profit be unchanged?

A $15 **B** $17 **C** $19 **D** $21

30 Purchases in January 2014 are expected to be $20 000 and to increase by $1000 each month. 20% of purchases are for cash. Credit purchases are paid for in the month following purchase.

Which amount will be shown in the cash budget for payments to credit suppliers in March 2014?

A $16 800 **B** $17 600 **C** $20 200 **D** $21 200

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