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

**ACCOUNTING** **9706/13**

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)

*0047901688*

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


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**1** Which item would result in a credit entry in an income statement?

**A** an increase in the provision for doubtful debts

**B** a reduction in the provision for doubtful debts

**C** the creation of a provision for doubtful debts

**D** the writing off of a trade receivable

**2** A business prepares its financial statements on 31 December. Insurance premiums paid were as follows.

| date | period covered | $ |
|---|---|---|
| January 2012 | 1 July 2011 to 31 December 2011 | 940 |
| July 2012 | 1 January 2012 to 30 June 2012 | 1120 |
| January 2013 | 1 July 2012 to 31 December 2012 | 1245 |
| March 2013 | 1 January 2013 to 30 June 2013 | 1880 |

Which amount should be shown in the income statement for the year ended 31 December 2012?

**A** $1120 **B** $2060 **C** $2365 **D** $3305

**3** A company has the following balances.

| | $ |
|---|---|
| trade receivables at 31 December 2012 | 125 400 |
| provision for doubtful debts at 1 January 2012 | 1 800 |

During the year ended 31 December 2012 bad debts of $20 500 had been written off. The company provides for 5% of trade receivables at each year end.

What is the doubtful debts expense for the year ended 31 December 2012?

**A** $3445 **B** $4470 **C** $5245 **D** $6270

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**4** The table shows information relating to the non-current assets of a business.

| | $ |
|---|---|
| net book value at the beginning of year | 28 000 |
| net book value at end of year | 25 000 |
| depreciation charge for the year | 4 000 |
| disposals at net book value | 9 000 |

What is the cost of non-current asset additions?

**A** $2000 **B** $6000 **C** $10 000 **D** $16 000

**5** The table shows balances at the end of a year.

| | $ |
|---|---|
| expenses prepaid | 6 000 |
| expenses accrued | 4 000 |
| bank overdraft | 11 500 |
| trade payables | 13 400 |
| trade receivables | 10 500 |
| loan (2017) | 20 000 |

What is the total of current liabilities?

**A** $16 500 **B** $17 400 **C** $28 900 **D** $48 900

**6** On 1 July 2012, a business shows an accrual on the rent account of $600. During the following year, payments were made for rent as detailed below.

| | | $ |
|---|---|---|
| 26 July 2012 | paid 3 months rent to 31 July 2012 | 900 |
| 11 November 2012 | paid 4 months rent to 30 November 2012 | 1 200 |
| 15 March 2013 | paid 4 months rent to 31 March 2013 | 1 200 |

In preparing the rent account for the year ending 30 June 2013, which amount is to be shown as a prepayment or accrual for rent at that date?

**A** $600 accrual

**B** $600 prepayment

**C** $900 accrual

**D** $900 prepayment

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**7** Closing inventory has been overvalued.

What is the effect on the financial statements?

| | net current assets | profit for the year |
|---|---|---|
| **A** | no effect | understated |
| **B** | overstated | no effect |
| **C** | overstated | overstated |
| **D** | understated | understated |

**8** The table shows figures relating to a company's banking transactions at 31 December.

| | $ |
|---|---|
| balance at bank per bank statement | 22 650 |
| uncleared lodgements | 3 110 |
| unpresented cheques | 6 290 |
| bank credit recorded twice by bank in error | 650 |

Which balance for cash at bank should appear in the statement of financial position at 31 December?

**A** $18 820 **B** $20 120 **C** $25 180 **D** $26 480

**9** A trial balance does not balance and a suspense account is opened.

Later the following errors are found and the suspense account is cleared.

1 A sales invoice for $1240 had been completely omitted from the books.

2 Rent paid of $2600 was entered correctly in the cash book but as $6200 in the rent account.

3 The purchases journal was undercast by $1980.

What was the original balance on the suspense account?

**A** $1620 credit

**B** $4340 debit

**C** $5580 credit

**D** $5580 debit

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**10** The table shows information relating to a business for the year ended 31 December 2012.

| | $ |
|---|---|
| trade receivables at 1 January 2012 | 280 000 |
| bad debts written off | 8 500 |
| cash from credit customers | 796 000 |
| cash sales | 69 500 |
| credit sales | 718 000 |
| increase in provision for doubtful debts | 9 500 |
| returns inwards on credit transactions | 7 500 |

What is the balance on the sales ledger control account at 31 December 2012?

**A** $176 500 **B** $186 000 **C** $195 500 **D** $255 500

**11** A draft income statement shows a profit for the year of $75 000. Discounts allowed of $4000 have been treated as discounts received and discounts received of $7000 have been treated as discounts allowed.

What is the correct profit?

**A** $69 000 **B** $72 000 **C** $78 000 **D** $81 000

**12** A business allocates the following expenses to departments on the basis either of sales or floor area.

1 advertising

2 carriage out

3 heating

4 rent

Which expenses are allocated on the basis of floor area?

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

**13** L and M are in partnership.

Which item should appear in the partnership appropriation account?

**A** additional capital contributed by M

**B** cash drawings of L and M during the year

**C** salary due to L

**D** salary paid to M's wife

**14** A new business was established with opening capital of $15 000. At the end of the year net assets were $20 000. During the year the proprietor's drawings were $3000 and this resulted in an overdraft at the end of the year of $4000.

What was the profit for the year?

**A** $2000 **B** $5000 **C** $7000 **D** $8000

**15** The manufacturing account of a business includes the following.

| | $ |
|---|---|
| prime costs | 143 260 |
| production overheads | 92 170 |
| opening work-in-progress | 5 720 |
| closing work-in-progress | 6 840 |
| opening inventory of finished goods | 29 480 |
| closing inventory of finished goods | 25 990 |

What was the cost of production?

**A** $234 310 **B** $235 430 **C** $236 550 **D** $237 800

**16** S and T are in partnership sharing profits and losses in the ratio 3 : 2.

Their fixed capital accounts have balances of S $80 000 and T $60 000. Interest is allowed on these at the rate of 6% per year.

Profit for the year was $100 000.

What is the division of profits between the partners?

| | S<br>$ | T<br>$ |
|---|---|---|
| **A** | 49 400 | 50 600 |
| **B** | 50 600 | 49 400 |
| **C** | 59 760 | 40 240 |
| **D** | 60 000 | 40 000 |

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**17** Which account is adjusted for the valuation of goodwill?

**A** appropriation

**B** bank

**C** capital

**D** premises

**18** A business sells inventory at a mark up of 20%. Some inventory has been stolen.

The following information is available.

| | 1 January 2012 $ | 31 December 2012 $ |
|---|---|---|
| inventory | 6 000 | 5 000 |
| purchases for the year | | 101 000 |
| revenue | | 120 000 |

What was the value of the inventory stolen?

**A** $1000 **B** $1200 **C** $2000 **D** $6000

**19** ABC Ltd purchased a non-current asset for $35 000 on 1 April 2009 and sold it on 1 October 2012 for $14 500.

The company's year end is 31 December and their policy is to make no charge for depreciation in the year of disposal but a full year's charge in the year of purchase. The company uses the reducing balance method at the rate of 25% per annum.

What is the profit or loss made, to the nearest $, on the disposal of the asset?

**A** $265 loss

**B** $265 profit

**C** $5188 loss

**D** $5188 profit

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**20** The following is an extract from the statement of financial position of a company.

| | $ |
|---|---|
| ordinary shares of $0.25 each | 35 000 |
| 6% cumulative preference shares | 40 000 |

No dividend was paid on the preference shares last year but the directors propose to pay a dividend this year. The directors also propose a final ordinary share dividend of $0.05 per share.

What is the amount of dividends to be paid?

| | ordinary shares $ | cumulative preference shares $ |
|---|---|---|
| **A** | 1750 | 2400 |
| **B** | 1750 | 4800 |
| **C** | 7000 | 2400 |
| **D** | 7000 | 4800 |

**21** A shareholder in a company sells his shares to another person.

What is the effect on the share capital account of the company?

**A** It is increased by any premium paid for the shares.

**B** It is increased by the selling price of the shares.

**C** It is reduced by the value of shares sold.

**D** It remains unaltered.

**22** The following shows extracts from the statement of financial position of a company.

| | at 30 September $ |
|---|---|
| non-current assets | 120 000 |
| inventory | 35 000 |
| trade receivables | 23 000 |
| cash at bank (debit balance) | 12 000 |
| trade payables | 15 000 |
| bank loan repayable within 12 months | 40 000 |

What is the acid test (liquid) ratio?

**A** 0.64 : 1 **B** 1.27 : 1 **C** 2.33 : 1 **D** 4.67 : 1

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**23** A company's non-current asset turnover ratio decreases this year compared to last year.

Which single factor could cause this to happen?

**A** an increase in sales

**B** an increase in the rate of depreciation charged

**C** purchase of non-current assets

**D** sale of non-current assets

**24** A company's financial statements show the following.

| | $ |
|---|---|
| issued share capital | 300 000 |
| profit from operations | 160 000 |
| profit after preference dividends | 120 000 |
| non-current liabilities | 280 000 |
| reserves | 100 000 |

What is the company's return on capital employed?

**A** 23.5% **B** 30.0% **C** 40.0% **D** 53.3%

**25** What would increase the current ratio of a business?

**A** buying goods on credit for $2000 and selling immediately for $3000 cash

**B** paying creditors $1000 cash

**C** purchasing a non-current asset of $10 000 on credit

**D** selling goods of $1000 at cost price on credit

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**26** A business makes a single product. The following information is available.

| production | total cost<br>$ |
|---|---|
| 600 units | 4200 |
| 800 units | 5200 |

What is the fixed cost per unit?

| | for 600 units<br>$ | for 800 units<br>$ |
|---|---|---|
| **A** | 2.00 | 1.50 |
| **B** | 2.00 | 2.00 |
| **C** | 5.00 | 5.00 |
| **D** | 7.00 | 6.50 |

**27** A company produces two different products which use the same material.

One month there is a shortage of material and the company needs to reduce production of one product.

Of which product should the company reduce production first?

**A** the one with the higher contribution per kilo of material

**B** the one with the higher contribution per unit

**C** the one with the lower contribution per kilo of material

**D** the one with the lower contribution per unit

**28** A factory has forecast total production overhead of $400 000 and forecast activity of 80 000 machine hours.

In April actual overheads are $385 000 and actual activity is 70 000 hours.

What is the level of under or over absorption in April?

**A** $35 000 over

**B** $35 000 under

**C** $40 000 over

**D** $40 000 under

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**29** Which type of organisation would use process costing?

**A** charity

**B** college

**C** oil refinery

**D** supermarket

**30** Why does a company prepare a cash budget?

**A** to establish the figure for cash for inclusion in the financial statements

**B** to identify a month in which there will be a cash shortage

**C** to look for seasonal trends in profitability

**D** to reconcile bank statement figures with cash book figures

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