UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Advanced Level

ACCOUNTING **9706/33**

Paper 3 Multiple Choice **May/June 2013**

1 hour

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

7359527005

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 IN 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.

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1 In calculating the net cash flow from operating activities, which item would be included as an adjustment to profit from operations?

A accumulated depreciation

B bad debts recovered

C bank loan received

D profit on sale of fixed assets

2 A company applies a 20% factory profit to manufacturing cost. Details of its inventory at transfer price are as follows.

	$
inventory at 31 May 2012	24 000
inventory at 31 May 2013	36 600

What is the correct treatment of unrealised profit in the income statement for the year ended 31 May 2013?

A $2100 expense

B $2100 income

C $6100 expense

D $6100 income

3 The following information is taken from the statement of financial position of a company.

	$
5% debenture 2019 / 2020	50 000
asset revaluation reserve	10 000
goodwill	20 000
issued ordinary share capital	80 000
long-term loan (repayable 2018)	45 000
tangible non-current assets (at nbv)	116 000
retained earnings	36 000
share premium	16 000

What is the figure for equity to be included in the statement of financial position?

A $142 000 **B** $162 000 **C** $182 000 **D** $202 000

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4 What is the effect on a company's statement of financial position of issuing bonus shares?

A The bank balance will be increased.

B The non-current liabilities will be increased.

C The reserves will be reduced.

D The share capital will be reduced.

5 At the start of the year a company had plant and machinery with a net book value of $160 000.

During the year a machine which had cost $50 000 was disposed of. The sale proceeds were $60 000 and this resulted in a profit on disposal of $20 000.

The remaining plant and machinery was then revalued at $190 000.

What was the balance on the revaluation reserve at the year end?

A $40 000 **B** $70 000 **C** $80 000 **D** $90 000

6 The directors of a company carry out the following actions.

1 make an issue of 50 000 ordinary shares of $1 each at par

2 make an issue of 20 000 bonus shares of $1 each at par

3 make a repayment of a debenture of $60 000

Which row shows the effect of these actions on the capital of the company?

	issued share capital	non-current liabilities	working capital
A	increase	decrease	decrease
B	increase	decrease	no effect
C	increase	increase	increase
D	no effect	decrease	increase

7 X and Y are in partnership sharing profits and losses equally. The following information is available.

	X $	Y $
capital accounts	100 000	100 000
current accounts	(10 000)	5 000
10% loan	40 000	–

They agree to sell their business to Z Ltd. The terms of the sale are as follows.

1 The assets and liabilities have a book value of $235 000. They are sold at an agreed value of $285 000.

2 X will receive an 8% debenture which pays the same amount of interest as his loan.

3 The balance due to each partner will be paid in shares of $1 each in Z Ltd.

How many shares in Z Ltd will X receive?

A 40 000 **B** 65 000 **C** 100 000 **D** 105 000

8 A Ltd has purchased B Ltd for the total purchase price of $834 000. The purchase consideration being satisfied by:

issue of 90 000 6% preference shares of $2 valued at $2.20,

300 000 ordinary shares par value $1 valued at $1.50,

10% debenture (2022).

What is the value of the debenture?

A $186 000 **B** $204 000 **C** $336 000 **D** $354 000

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9 The summarised statement of financial position of a sole trader shows the following.

	$
non-current assets	200 000
net current assets	10 000
	210 000
capital	210 000

He agrees to sell his business to X Ltd. The purchase consideration is $260 000 being made up of
$60 000 cash
$80 000 debentures and
180 000 ordinary shares of $0.50 each.

Which amount will be credited to the share premium account of X Ltd?

A $30 000 **B** $50 000 **C** $90 000 **D** $120 000

10 A company buys a new machine.

Which costs are **not** allowable as a capital item for the purchase?

1 the cost of additional staff to operate the machine

2 the cost of the machine

3 the cost of additional inventory to use on the machine

4 the cost of a technician to install the machine at the company's premises

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

11 A company's year end is 30 June 2012. On 27 July 2012 a major fire took place at the company's factory. On 8 August 2012 a major debtor at 30 June 2012 went into liquidation.

How should the two events be treated in the financial statements?

	fire	liquidation
A	adjusted in the financial statements	adjusted in the financial statements
B	adjusted in the financial statements	disclosed in notes
C	disclosed in notes	adjusted in the financial statements
D	disclosed in notes	disclosed in notes

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12 Which expense is **not** deducted before arriving at operating profit?

A auditor's fee

B debenture interest

C directors' remuneration

D distribution costs

13 The working capital cycle of a business was 100 days in 2012 and 130 days in 2013.

Which statement explains the change?

A Cash and cash equivalents have increased during 2013.

B Inventory increased during 2013.

C The company increased the period taken to pay its suppliers in 2013.

D Trade receivables decreased during 2013.

14 The following information has been obtained for a company.

	$
declared dividend per share	0.05
market price per share	4.00
nominal value of shares	0.50

What is the dividend yield?

A 1.25% **B** 2.50% **C** 5.00% **D** 10.00%

15 A company has a high liquidity ratio.

What will reduce liquidity?

A converting loan stock into shares

B doubling the annual rates of depreciation

C making a bonus issue to existing shareholders

D replacing machinery earlier than planned

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16 The following information is available for a company for the year ended 31 December.

	$
profit from operations	134 000
finance costs	16 000
profit before tax	118 000
taxation	36 000
retained profit for the year	82 000

Issued ordinary share capital 500 000 shares of $0.50 each.

What is the earnings per share for the year ended 31 December?

A $0.117 **B** $0.164 **C** $0.169 **D** $0.236

17 How does IAS 16 define the fair value of an asset?

A the amount a buyer will pay for it

B the amount paid to purchase the asset

C the value after deducting an impairment loss

D the value shown in the statement of financial position after depreciation

18 A company with 36 000 shares of $0.50 each in issue has, as its only reserve, a retained profit of $25 000. The directors then recommend a bonus issue of 1 for 4.

What is the balance on the profit and loss account after the bonus issue?

A $4500 **B** $7000 **C** $20 500 **D** $25 000

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19 A company makes three products for which the following details are given.

	product P $	product Q $	product R $
selling price per unit	20	24	36
direct material per unit	9	12	15
direct labour per unit	5	3	9

The same material is used by all three products and it costs $3.00 per kilo.

There is a shortage of material.

In which order of priority should the products be made in order to achieve maximum profit from the available material?

A P → Q → R

B Q → R → P

C R → P → Q

D R → Q → P

20 A product has the following unit costs.

	$
direct materials	14
direct labour	5
variable overheads	3
variable selling costs	1
fixed overheads	6

Inventory is valued at marginal cost.

What is the inventory value of 1500 units?

A $28 500 **B** $33 000 **C** $34 500 **D** $43 500

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21 1500 units costing $2 per unit were input into a process. The normal loss was 20% of the input. The lost units had a scrap value of $0.40 each.

What will be the cost per unit of output?

A $1.60 **B** $1.92 **C** $2.00 **D** $2.40

22 A businessman starts trading with a bank balance of $124 000. The budget for the first three months shows the following.

	month 1 $	month 2 $	month 3 $
cash sales in month	30 000	40 000	35 000
credit sales (terms 30 days)	20 000	22 000	24 000
purchases (terms 60 days)	25 000	28 000	30 000
expenses paid in month	12 000	13 000	64 000

What is the budgeted opening bank balance at the start of month 3?

A $123 000 **B** $158 000 **C** $164 000 **D** $189 000

23 A company has the following budgeted information.

sales	100 000 units
variable costs	$350 000
fixed costs	$450 000

Actual sales for the period were 120 000 units.

The company uses flexible budgeting.

What was the total budgeted cost for the period?

A $800 000 **B** $870 000 **C** $890 000 **D** $960 000

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24 A company provides the following budgeted information for next month.

production	16 875 units
raw materials per unit	4 kilos
opening inventory of raw materials	24 000 kilos
closing inventory of raw materials	28 500 kilos
loss of raw materials in production process	10%

What is the budgeted raw material purchases for the month?

A 67 500 kilos

B 70 000 kilos

C 75 000 kilos

D 79 500 kilos

25 840 units of a product are manufactured in a period. 1570 kg of raw material were purchased and used at a cost of $5820. Raw material price and usage variances were $126 F and $235 A respectively.

What was the standard raw material cost per unit of the product?

A $6.50 **B** $6.80 **C** $7.06 **D** $7.36

26 The standard time for the job is set at 50 hours. The standard direct labour rate is $8 per hour.

The job was completed in 65 hours at a direct labour cost of $455.

What is the direct labour rate variance?

A $55 adverse

B $55 favourable

C $65 adverse

D $65 favourable

27 Which cost is described by the following?

'costs which should be achieved under efficient conditions, but allowing for normal wastage'

A basic standard

B currently attainable standard

C flexible standard

D ideal standard

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28 A company produces a single product. Each product uses 12 kilos of materials at $0.50 per kilo.

During the month, the company produced 1650 units. It actually used 19 250 kilos at a total cost of $9240.

What was the material usage variance for the month?

A	favourable	$264
B	favourable	$275
C	favourable	$385
D	favourable	$660

29 A company can only invest $1 million in the current period. The table shows five projects.

project	capital requirement (current period) $m	NPV $m
1	1.2	5.0
2	1.0	2.5
3	0.6	1.5
4	0.4	1.2
5	0.4	1.0

Which projects should the company undertake to maximise its shareholders' wealth?

A 1 only **B** 2 only **C** 3 and 4 **D** 3 and 5

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30 A company is considering replacing its fleet of vehicles. The following information is available.

	$
purchase price of vehicles	165 000
annual running costs	18 000
trade in value of vehicles at the end of year 3	60 000

The company's cost of capital is 8% and the following discount factors apply.

year 0 1.000

year 1 0.926

year 2 0.857

year 3 0.794

What is the net present value of the project?

A $(99 558) **B** $(145 674) **C** $(163 746) **D** $(211 386)

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