Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **May/June 2014**

1 hour

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

* 8 1 9 9 2 9 1 3 0 7 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, 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 Hedley has 100 items of inventory in his warehouse and five more with a customer on a sale or return basis. He provides the following information.

	$ per unit
historic cost paid	60
selling price	85
current replacement cost	65

Which value should appear in the statement of financial position for inventory?

A $6000 **B** $6300 **C** $6825 **D** $8500

2 When preparing a sole trader's annual accounts, no adjustment was made for a prepayment at the end of the year.

What is the effect of this omission?

A	current assets overstated	owner's capital overstated
B	current assets understated	owner's capital understated
C	profit for the year overstated	trade payables understated
D	profit for the year understated	trade payables understated

3 Which statement is correct?

A The balance on the bad debts recovered account is carried down to the next accounting period.

B The balance on the bad debts recovered account is credited to the income statement.

C The balance on the provision for doubtful debts account is calculated before the deduction of bad debts.

D The balance on the provision for doubtful debts account is not included in a trial balance.

4 A trader took out a 6% bank loan of $30 000 on 1 November 2013, to be repaid in full in 10 years' time. Interest is to be paid annually. No interest had been paid by 30 April 2014.

How should this be recorded in the statement of financial position at 30 April 2014?

	current liabilities $	non-current liabilities $
A	0	30 000
B	900	30 000
C	1 800	30 000
D	30 900	0

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5 A non-current asset is depreciated due to passage of time.

Which type of non-current asset is it?

A a computer which has become out of date

B a lease with a fixed life in terms of years

C a machine which is subject to rust and breakdown

D a mine which loses value as coal is extracted

6 On 1 June 2011, a company purchases machinery for $18 000. The company depreciates machinery at 20% per annum using the reducing balance method.

The machinery was sold on 1 June 2013 for $9400.

What is the profit / loss on the disposal of the machinery?

A loss $1400

B loss $2120

C profit $1400

D profit $2120

7 A trial balance failed to agree. A suspense account was opened. The following errors were then discovered.

1 The sales returns journal had been undercast by $850.

2 The purchases journal had been overcast by $975.

What was the opening balance on the suspense account before the correction of the errors?

A $125 credit

B $125 debit

C $1825 credit

D $1825 debit

8 The bank column of a cash book showed a credit balance of $5000. There were unpresented cheques amounting to $1500. The bank statement showed bank charges of $700 not in the cash book.

What is the balance on the bank statement?

A $3300 debit

B $4200 debit

C $4200 credit

D $5800 credit

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9 What would cause a trial balance **not** to balance?

A a casting error in the cash account

B a transposition error in extracting the trial balance

C discounts allowed posted to discounts received account

D misposting of an invoice to a creditor's account

10 X buys from and sells goods to Y. At the end of the month, X owes Y $3200 and Y owes X $1941.

Which double entry records the contra entry in X's books?

		Dr $	Cr $
A	purchases ledger control account	1259	
	sales ledger control account		1259
B	purchases ledger control account	1941	
	sales ledger control account		1941
C	sales ledger control account	1259	
	purchases ledger control account		1259
D	sales ledger control account	1941	
	purchases ledger control account		1941

11 A business provides the following information.

	$
revenue	140 000
opening inventory	22 000
closing inventory	24 500
purchases	120 000

Goods are sold at cost plus 25%.

The owner has taken goods for own use but has not recorded these as drawings.

What is the value of the goods taken for own use?

A $5500 **B** $10 500 **C** $12 500 **D** $17 500

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12 For the eleven months ended 31 August 2013, snack bar takings were correctly recorded at $109 340. For September 2013, the snack bar takings were mixed up with other income. The snack bar profit margin was 30%.

The table shows figures for the snack bar for September 2013.

	$
opening inventory at cost	6303
purchases	8844
closing inventory at cost	7370

What was the gross profit of the snack bar for the year ended 30 September 2013?

A $27 566 **B** $36 135 **C** $36 593 **D** $43 912

13 A sole trader runs a retail store.

Which department is most likely to close?

A the one with a negative contribution

B the one with a negative profit

C the one with a positive contribution

D the one with a positive profit

14 A business owner suspects a loss of cash has occurred. He provides the data shown.

	$
cash balance at the start of the month	150
cash balance at the end of the month	100
cash banked	10 200
cash sales for the month	10 500

How much cash has been lost?

A $200 **B** $250 **C** $300 **D** $350

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15 Which items would appear in a partnership's appropriation account, in the absence of a partnership agreement?

1 profit for the year

2 partners' interest on drawings

3 partners' salaries

4 partners' share of profits

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

16 A partnership makes a profit for the year of $108 000 before taking account of appropriations. Other financial information is as follows.

	X	Y	Z
salary	–	–	$10 000
capital balance	$50 000	$40 000	$10 000
profit sharing ratio	5	3	2

Interest on capital is allowed at 8% per annum.

What is Z's share of the profit for the year?

A $18 000 **B** $18 800 **C** $28 000 **D** $28 800

17 A business has settled a legal dispute with a customer and expects to pay him $10 000 before the end of the next financial year.

Which heading is this amount included under in the company's statement of financial position for this financial year?

A capital and reserves

B current liabilities

C non-current assets

D non-current liabilities

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18 Simon provides the following information about his costs for the year.

	$
raw materials	16 100
factory depreciation	2 400
production labour	18 000
factory supervisor	8 500
factory heating	1 100
carriage in	1 500
rent	12 000
administration costs	11 500

Half of the rent relates to the factory and half to the offices.

What is the total of indirect manufacturing costs?

A $18 000 **B** $19 500 **C** $35 500 **D** $35 600

19 A shareholder sells some shares for less than he paid for them.

What happens to the share capital of the company?

A decreases by the nominal value of the shares sold

B decreases by the sales proceeds of the shares sold

C increases by the amount received from the sale of the shares

D remains the same as before

20 Which shares are entitled to have arrears of dividend carried forward to future years?

A cumulative preference shares

B non-cumulative preference shares

C ordinary shares

D redeemable shares

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21 A company issues shares at a premium.

Which effect does the issue have on the company's statement of financial position?

	net assets	share capital
A	decrease	decrease
B	decrease	no effect
C	increase	increase
D	increase	no effect

22 A company's financial statements include the following.

	$
profit before interest	200 000
profit for the year	140 000
issued share capital	500 000
reserves	160 000
non-current liabilities	380 000

What is the return on capital employed?

A 19.2% **B** 21.2% **C** 30.3% **D** 40.0%

23 A business sells a single product.

This year the gross profit margin and net profit margin were both lower than last year.

What is the reason for this change?

A decrease in carriage out

B decrease in sales returns

C increase in carriage in

D increase in purchases returns

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24 The following information is given about four products.

Which product makes the most gross profit?

	inventory turnover (per annum)	average inventory in units	mark up on cost %
A	8 times	1000	15
B	6 times	1000	30
C	7 times	1000	25
D	10 times	1000	20

25 A company's non-current asset turnover figure rises from 3.4 times in Year 1 to 4 times in Year 2. Sales revenue has been constant.

What explains the change?

A The cost of repairs to non-current assets had decreased.

B The cost of repairs to non-current assets had increased.

C The depreciation charge for the year was higher than the cost of non-current assets purchased.

D The depreciation charge for the year was lower than the cost of non-current assets purchased.

26 Gordon sells goods on credit to Sybil.

Which information from Sybil's financial statements is of greatest interest to him?

A current ratio

B gross profit margin

C mark up

D return on capital employed

27 A company uses absorption costing and makes and sells one product. In the last month budgeted overheads totalled $60 000. Budgeted production was 15 000 units and budgeted sales were 14 000 units.

The company now decides to apply marginal costing principles for last month.

Which effect will this have on profits?

A $3500 decrease

B $3500 increase

C $4000 decrease

D $4000 increase

28 A business has the following total overheads for two different output levels.

total overheads $	output (units)
200 000	20 000
216 000	30 000

What is the total fixed overheads cost?

A $16 000 **B** $48 000 **C** $168 000 **D** $216 000

29 The data relates to the production of three products.

	product X $	product Y $	product Z $
contribution per unit	160	175	190
fixed overhead per unit	125	130	160
labour hours per unit	1	1.25	0.75

The company is experiencing a shortage of labour.

In which order should the products be ranked to maximise profit?

	1	2	3
A	X	Y	Z
B	Y	X	Z
C	Z	X	Y
D	Z	Y	X

30 Sybil owns a vehicle which on 1 August 2014 will be shown at a cost of $10 000 with accumulated depreciation of $6000.

On that date she expects to trade it in against a new vehicle with a cost of $15 000, receiving a trade-in allowance of $3500.

Which figure will appear in Sybil's cash budget for August 2014?

A $5000 **B** $11 000 **C** $11 500 **D** $15 000

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