Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/13**

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 4 7 0 1 7 6 4 1 0 *

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 An item of machinery cost $60 000. The machinery was later sold for $8000 and the loss on disposal was $3000.

What was the accumulated depreciation on the machinery on disposal?

A $49 000 **B** $52 000 **C** $55 000 **D** $65 000

2 The interest receivable account shows interest of $17 500 received during the year. Interest of $1600 is due at the year end.

How will this be shown in the income statement?

	income statement	$
A	credit	17 500
B	credit	19 100
C	debit	17 500
D	debit	19 100

3 On 31 December 2012 John's statement of financial position showed the following.

	$
trade receivables	18 000
provision for doubtful debts	720

On 31 December 2013 John decides to increase the rate of provision to 5%. His income statement shows a debit of $80 for the change in the provision.

What is the value of John's total trade receivables on 31 December 2013?

A $12 800 **B** $14 400 **C** $16 000 **D** $20 000

4 A company sells goods at a mark up of 25%.

The following information is available at the end of the financial year.

goods in warehouse	$300 000 (cost)
goods sent on sale or return	$200 000 (at invoice price)

What was the value of closing inventory in the financial statements?

A $300 000 **B** $450 000 **C** $460 000 **D** $500 000

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5 After draft financial statements had been prepared, the following errors were discovered.

Opening inventory was overvalued by $2000.

Closing inventory was undervalued by $3000.

The original gross profit was $90 000.

What was the gross profit after the errors were corrected?

A $85 000 **B** $89 000 **C** $91 000 **D** $95 000

6 At 31 December 2013 a business provides the following information.

	$
balance per cash book	790 credit
balance per the bank statement	800 debit
unpresented cheques	30

The only other reconciling item between the cash book and the bank statement is bank charges recorded on the bank statement but not in the cash book.

How much are the bank charges?

A $10 **B** $20 **C** $30 **D** $40

7 A company accountant has prepared a reconciliation of the sales ledger control account with the sales ledger.

	$
balance per the control account	100 000
add:	
invoices not posted to the nominal ledger	10 000
cash received not posted to the sales ledger	5 000
balance per the sales ledger	115 000

Which figure for trade receivables should be shown in the financial statements?

A $100 000 **B** $105 000 **C** $110 000 **D** $115 000

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8 A trial balance at 31 December shows the following.

	debit $	credit $
sales ledger control account	54 000	1 500
purchases ledger control account	900	46 000

It is then found that an invoice for $1700, received from a supplier on 27 December, has not been entered in the accounting records.

What is the correct figure for trade payables in the statement of financial position at 31 December?

A $45 800 **B** $47 700 **C** $49 200 **D** $52 500

9 A trial balance failed to agree.

The following errors have been discovered.

1 Discounts allowed $54 had been posted to the credit of the discount received account as $45.

2 The rent payable account had been undercast by $100.

What was the effect of these errors on the trial balance?

A credit column $109 greater than debit column

B credit column $199 greater than debit column

C debit column $109 greater than credit column

D debit column $199 greater than credit column

10 A new business decided to value inventory using AVCO. During the first week of trading they received the following deliveries.

1000 litres at $2.00 per litre

500 litres at $2.75 per litre

What is the value of an issue of 1250 litres to production?

A $2687.50 **B** $2812.50 **C** $2875.00 **D** $2968.75

11 A motor vehicle costing $8000 is depreciated by 25% per annum using the reducing balance method. After depreciating for two years it was sold for $4000.

What is the loss on disposal?

A $500 **B** $2000 **C** $4000 **D** $5000

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12 Which ratio would **not** assist in calculating the amount of stolen inventory?

A gross profit margin

B mark up

C rate of inventory turnover

D return on capital employed

13 A sports club maintains a life subscriptions account.

How should the balance on the account appear in the financial statements?

A asset in the statement of financial position

B expenditure in the income and expenditure account

C income in the income and expenditure account

D liability in the statement of financial position

14 X and Y are in partnership sharing profits equally. They admit Z who brings in $10 000 capital and takes $\frac{1}{3}$ share of the profit. Goodwill is valued at $9000 but goodwill is not to be retained in the books of account.

What is the balance on Z's capital account immediately after his introduction?

A $1000 credit

B $5500 credit

C $7000 credit

D $10 000 credit

15 A sole trader withdraws goods for his own use.

How does this affect his financial statements?

	income statement	statement of financial position
A	increase closing inventories	decrease drawings
B	increase cost of goods sold	decrease drawings
C	decrease closing inventories	increase drawings
D	decrease cost of goods sold	increase drawings

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16 Which items appear in a manufacturing account?

1 closing inventory of work in progress

2 closing inventory of finished goods

3 depreciation of production machinery

4 depreciation of office equipment

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

17 A company has ordinary share capital of $80 000. Each share has a nominal value of $0.25.

A dividend of $0.06 per share is paid.

What is the total dividend paid?

A $1200 **B** $4800 **C** $15 200 **D** $19 200

18 Daphne buys a non-current asset for $10 000. It has an estimated life of two years and a scrap value of $2000. She is considering whether to depreciate it using the straight line method or to use the reducing balance method at a rate of 60% per annum.

Which statements are correct?

1 The profit for the year in Year 1 is higher if the reducing balance method is chosen.

2 The profit for the year in Year 1 is higher if the straight line method is chosen.

3 The profit on disposal at the end of Year 2 is higher if the reducing balance method is chosen.

4 The profit on disposal at the end of Year 2 is higher if the straight line method is chosen.

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

19 A company issues for cash 50 000 shares of $5 each at a premium of $15 each and $300 000 4% debentures.

By which amount will the net assets of the company increase?

A $250 000 **B** $550 000 **C** $1 000 000 **D** $1 300 000

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20 A shareholder sells some ordinary shares for more than he paid for them.

What is the effect on the company statement of financial position?

	ordinary share capital	share premium account
A	decrease	decrease
B	decrease	increase
C	no effect	decrease
D	no effect	no effect

21 A business starts factoring its debts.

Which effect does this have on its current ratio and its short term cash flow?

	current ratio	short term cash flow
A	decrease	improve
B	decrease	worsen
C	increase	improve
D	increase	worsen

22 A company provides the following information.

	profit for the year $	non-current asset turnover
2009	15 000	4 times
2010	16 000	3.5 times
2011	17 000	3 times

Sales have remained constant throughout the three years.

Which statement correctly describes the trend?

A Profitability is decreasing and non-current assets are decreasing.

B Profitability is decreasing and non-current assets are increasing.

C Profitability is increasing and non-current assets are decreasing.

D Profitability is increasing and non-current assets are increasing.

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23 A business provided the following information.

year 1: closing inventory $200 000; cost of goods sold $800 000.

year 2: closing inventory is 25% higher than last year; cost of goods sold is 20% higher than last year.

What is the inventory turnover in year 2?

A 76 days **B** 86 days **C** 95 days **D** 103 days

24 The table shows extracts from the financial statements of a company:

	$
non-current assets at cost	750 000
non-current assets at net book value	610 000
profit for the year	190 000
revenue	1 380 000

What is the non-current asset turnover?

A 0.31 times

B 0.44 times

C 1.84 times

D 2.26 times

25 The direct material cost of 20 000 units is $8000. 400 direct labour hours are required at a cost of $6000. Overheads are absorbed at 150% of the cost of direct labour.

What is the cost per unit?

A $0.40 **B** $0.70 **C** $0.85 **D** $1.15

26 The following information is available.

	$
break even sales revenue	15 000
unit sales price	10
fixed costs	6 000

What is the variable cost per unit?

A $2.00 **B** $2.50 **C** $4.00 **D** $6.00

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27 A business absorbs overheads at a rate of $10.50 per labour hour. The following information is available.

budgeted overheads	$68 250
actual overheads	$66 175
actual labour hours	5976

What is the value of under or over absorbed overheads?

A $2075 over

B $2075 under

C $3427 over

D $3427 under

28 A company uses a direct labour rate of $5.40 per hour to absorb production overhead. Each unit of product manufactured requires four direct labour hours.

The following information is available for a period.

	$
actual production overhead	518 400
under absorbed production overhead	32 400

What was the actual output of the product in the period?

A 22 500 units

B 24 000 units

C 25 500 units

D 90 000 units

29 A company sells a product for $12 per batch.

The variable cost is $4 per batch.

Fixed costs are absorbed based on a normal activity level of 100 batches at $3 per batch.

What is the profit under marginal costing if the company makes and sells 125 batches?

A $500 **B** $625 **C** $700 **D** $1000

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30 The following budgeted information is provided.

	February $	March $	April $	May $
budgeted credit sales	215 000	296 000	320 000	412 000

Trade receivables are allowed a one month credit period.

What will be the total receipts received from trade receivables in April and May?

A $366 000 **B** $511 000 **C** $616 000 **D** $732 000

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