Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **May/June 2017**

1 hour

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

7586550867

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.

This document consists of **11** printed pages and **1** blank page.

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1 When a businessman introduces capital into his business, the transaction is debited in the cash book and credited to his capital account.

Of which accounting concept is this an example?

A business entity

B going concern

C matching

D prudence

2 Which are examples of the accounting equation?

1 capital + assets = liabilities

2 capital = assets + liabilities

3 capital = assets – liabilities

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

3 Amitav purchased a van costing $20 000. He provided an old van with a net book value of $8000 in part exchange. There was a profit on disposal of $1500.

What was the cash outflow arising from the purchase?

A $9500 **B** $10 500 **C** $12 000 **D** $13 500

4 The net book value of a company's non-current assets was as follows.

	$
at 1 January 2016	100 000
at 31 December 2016	80 000

During 2016 assets were sold for $20 000, realising a profit on disposal of $5000.

Depreciation charged for 2016 was $8000.

What was the expenditure on new assets in 2016?

A $3000 **B** $5000 **C** $8000 **D** $15 000

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5 The following errors were found after a suspense account was opened.

1 Motor repairs of $400 were credited to the motor vehicle at cost account.

2 A payment for electricity was debited in the electricity account as $2500 instead of $5200.

3 A $450 cash purchase of goods for resale had been completely omitted from the books.

4 Discount allowed of $50 had been debited to the discounts received account.

Which items would be entered in the suspense account?

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

6 Which items appear in a sales ledger control account?

1 cash discount allowed

2 credit sales

3 payments to trade payables

4 returns inwards

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

7 The following information is extracted from the statement of financial position of a business at 31 December 2016.

	$
bank loan (repayable 2025)	16 200
other payables	1 880
bank overdraft	11 600
capital	20 710
drawings	19 100
inventory	14 610
other receivables	1 420
trade payables	14 110
trade receivables	9 050

What is the value of the net current liabilities?

A $1590 **B** $2510 **C** $18 710 **D** $20 320

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8 The following items are recorded in the cash book of a business but not yet recorded in its bank statement.

	$
cheques drawn	3000
amounts banked	250

The cash book shows a bank balance of $2600 credit.

What is the balance on the bank statement?

A $150 credit

B $150 debit

C $400 credit

D $400 debit

9 Finn provides the following information.

	$
capital at the start of the year	19 800
profit for the year	24 000
drawings (cash)	19 500
drawings (goods for own use)	1 100
private vehicle transferred to business use	6 000

What was Finn's capital at the end of the year?

A $23 200 **B** $24 300 **C** $29 200 **D** $31 400

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10 A business provides the following information.

	year 1 $	year 2 $
profit for the year	30 000	40 000
cost of goods sold	240 000	320 000

The owner then discovers that at the end of year 1 the value of inventory was overstated by $2000.

What are the correct profits for the year and cost of goods sold figures?

	year 1		year 2	
	profit for the year $	cost of goods sold $	profit for the year $	cost of goods sold $
A	28 000	238 000	42 000	322 000
B	28 000	242 000	40 000	320 000
C	28 000	242 000	42 000	318 000
D	32 000	238 000	38 000	318 000

11 Sam was unable to conduct a physical count of inventory at 31 December 2016.

On 3 January 2017 inventory had been sold to Abdul for $11 950. The cost price of this inventory had been $9560.

On 4 January 2017 inventory had been returned by Sita. It had been sold for $2390. The cost price of this inventory was $1912.

Sam valued his inventory at 5 January 2017 at cost, $59 750.

What was the value of inventory at 31 December 2016?

A $50 190 **B** $52 012 **C** $67 398 **D** $69 310

12 Which item is **not** taken into account when a partner joins a partnership?

A balances on the partners' current accounts

B capital introduced by the new partner

C changes in the profit sharing ratio

D goodwill

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13 Ali, Bharti and Chan were in partnership sharing profit and losses in the ratio 3 : 2 : 1. Bharti retired from the partnership on 30 June 2016.

The following were the balances available at 30 June 2016.

	Ali ($)	Bharti ($)	Chan ($)
capital accounts	60 000 Cr	40 000 Cr	20 000 Cr
current accounts	18 650 Cr	6 100 Dr	8 950 Cr

On her retirement, Bharti retained a partnership motor vehicle at an agreed valuation of $4000.

Goodwill was valued at $39 000.

How much was payable to Bharti on her retirement?

A $33 900 **B** $42 900 **C** $46 900 **D** $50 900

14 A partnership maintains both capital and current accounts for its partners.

What is the correct accounting entry for recording interest on capital for partner X?

	account to be debited	account to be credited
A	appropriation	X's capital
B	appropriation	X's current
C	X's capital	appropriation
D	X's current	appropriation

15 Which statement describes the treatment of purchased goodwill for a limited company?

A a tangible non-current asset that can be amortised

B a tangible non-current asset that can be depreciated

C an intangible non-current asset that can be amortised

D an intangible non-current asset that can be depreciated

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16 A company's equity is made up as shown.

	$
100 000 ordinary shares of $0.25 each	25 000
share premium	3 000
retained earnings	8 000

The following took place.

1 A bonus issue of one ordinary share for every five held was made.

2 Six months later a rights issue of one ordinary share for every four held was made. The shares were issued at $0.30 each.

By how much did the company's equity increase as a result of these transactions?

A $5000 **B** $6000 **C** $7500 **D** $9000

17 Which statement about ordinary shares is correct?

A dividends on ordinary shares are an appropriation of profit

B dividends on ordinary shares are paid at the same rate each year

C ordinary shares are never issued at a premium

D the holders of ordinary shares are creditors of a company

18 Who are internal users of accounting information?

A customers

B directors

C lenders

D shareholders

19 A company provides the following information.

	$
profit from operations	16 000
finance costs	4 000
ordinary share capital ($1 shares)	50 000
non-current liabilities	4 000
retained earnings	20 000

What is the return on capital employed?

A 16.22% **B** 17.14% **C** 21.62% **D** 22.86%

20 The following financial information is available for a business. All purchases and sales are made on credit.

	$
purchases	121 980
revenue	209 980
trade payables	45 448
trade receivables	28 765

What is the average collection period?

A 50 days **B** 79 days **C** 86 days **D** 136 days

21 How are stepped costs best described?

A costs that are always variable

B costs that have both a fixed and variable element

C fixed costs that are always the same amount at any level of output

D fixed costs which increase in total once a certain level of output is reached

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22 Jamal uses the AVCO system to value his inventory. He provides the following information:

March 1	no opening inventory
6	60 units were purchased at $120 per unit
17	100 units were purchased at $116 per unit
23	110 units were sold for $150 per unit

What was the cost of sales for March?

A $5875 **B** $12 925 **C** $13 000 **D** $18 800

23 A business makes wedding dresses. Each machinist is paid $30 a day and each supervisor $40 a day. Each supervisor can work with up to 10 machinists and each machinist can produce one wedding dress a day.

If 95 wedding dresses a day are produced, what is the daily labour cost?

A $2850 **B** $3210 **C** $3230 **D** $3250

24 Which statement best describes variable costs?

A costs that are the same in total up to a certain level then increase with output

B costs that are the same in total over any output level

C costs that are constant per unit as output increases

D costs that increase per unit as output increases

25 A company manufactures and sells chairs. The following per unit information is available.

	$
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

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26 The budgeted income statement of J Limited shows the following.

	$
sales	400 000
variable costs	240 000
fixed costs	132 000
profit for the year	28 000

What is the margin of safety in dollars?

A $70 000 **B** $160 000 **C** $268 000 **D** $330 000

27 The following details are supplied by a company for the month of August.

budgeted machine hours	36 000
budgeted overheads	$162 000
actual machine hours	36 500
actual overheads	$155 000

What is the under or over absorption of the overheads?

A $2250 over absorbed

B $2250 under absorbed

C $9250 over absorbed

D $9250 under absorbed

28 A company has fixed costs of $40 000 per month. It provided the following information.

	March units	April units
production	30 000	15 000

Total production costs for March were $90 000.

What were the total production costs for April?

A $45 000 **B** $65 000 **C** $70 000 **D** $110 000

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29 A company's profits using marginal costing and absorption costing principles were identical.

Which statement is true about the company's production units?

A they were greater than break-even units

B they were greater than the sales units

C they were the same as the break-even units

D they were the same as the sales units

30 Which statement is **not** a reason why a business prepares budgets?

A to ensure coordination of the business activities

B to identify potential problems in the future

C to identify the responsibilities of managers

D to prepare the financial statements for the year

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