Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **May/June 2018**

1 hour

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

* 3 5 4 3 6 6 2 6 2 3 *

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 How should inventory be valued according to the prudence concept?

A cost price only

B lower of cost and net realisable value

C replacement cost only

D lower of replacement cost and revaluation cost

2 Why is depreciation charged on non-current assets?

A to be able to calculate a profit or loss on disposal

B to calculate a residual scrap value

C to reflect future replacement cost

D to spread its cost over its useful life

3 The net book values of a company's non-current assets are as follows.

	$
at 1 January 2017	20 000
at 31 December 2017	15 000

During 2017 non-current assets, $7000, were purchased. Non-current assets were sold realising a profit of $1000. The depreciation charge for 2017 was $8000.

What were the disposal proceeds of the assets sold?

A $3000 **B** $4000 **C** $5000 **D** $8000

4 Which costs may be capitalised as land and buildings?

1 construction cost of an extension

2 insurance premium

3 legal fees on purchase

4 redecoration costs

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

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5 Fred wishes to identify the unpresented cheques of his business.

Which side of the cash book and which column of the bank statement does he need to compare?

	cash book	bank statement
A	credit side	credit column
B	credit side	debit column
C	debit side	credit column
D	debit side	debit column

6 How is a decrease in the provision for doubtful debts recorded?

	in the income statement	in the provision for doubtful debts account
A	added to gross profit	credit
B	added to gross profit	debit
C	subtracted from gross profit	credit
D	subtracted from gross profit	debit

7 A company's year-end is 30 June, but the inventory could not be counted until 6 July. The inventory valuation at this date was $86 500.

The table shows the inventory movements between 30 June and 6 July.

	$
sales (at cost)	1750
purchases	1550
returns inwards at cost	310
returns outwards	190

What was the value of inventory at 30 June?

A $86 180 **B** $86 420 **C** $86 580 **D** $86 820

8 A purchases ledger control account shows the following.

	$
opening balance	1 200
closing balance	1 300
purchases	18 400
payments made	17 800
discount received	300

Which entry appears in the control account to record the contra with the sales ledger control account?

A $200 credit

B $200 debit

C $800 credit

D $800 debit

9 Which error would result in the creation of a suspense account?

A crediting the commission received account with rent received

B crediting the discounts allowed account with the discounts received

C debiting the bank interest paid account with bank interest received

D debiting the motor expenses account with a purchase of a new car

10 During the month a company lost a quantity of inventory in a burglary. The table shows the company's results for the month.

	$
opening inventory, at cost	30 000
purchases	210 000
revenue	330 000
closing inventory, at cost	4 000

A gross profit on all sales of 30% had been achieved.

What was the cost of the inventory lost in the burglary?

A $4000 **B** $5000 **C** $9000 **D** $13 000

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11 At the start of the year a business had trade payables of $13 000. At the end of the year it owed $15 000 to trade payables.

During the year it paid them $190 000, after taking a cash discount of $10 000.

What was the amount of the credit purchases for the year?

A $188 000 **B** $192 000 **C** $198 000 **D** $202 000

12 X and Y were in partnership sharing profit and loss equally. Z was admitted to the partnership and it was agreed that profit and loss were to be shared equally. Goodwill was to be valued at the date of admission but was not to be retained in the books of account.

How did the goodwill adjustment affect the partners' capital accounts?

	X's capital account	Y's capital account	Z's capital account
A	decrease	decrease	decrease
B	decrease	decrease	increase
C	increase	increase	decrease
D	increase	increase	increase

13 L, M and N were in partnership sharing profits and losses in the ratio 3 : 2 : 1. M retired on 31 December 2017. At that date the balance on M's capital account was $37 000. No current accounts were maintained.

The following were the terms of M's retirement.

Goodwill was valued at $24 000.

Freehold property was revalued upwards by $30 000.

M took over a motor vehicle at value of $7000.

What was the final settlement due to M on his retirement?

A $48 000 **B** $57 000 **C** $62 000 **D** $71 000

14 A company paid an ordinary share dividend of $15 000 in the year.

Where would it appear in the financial statements?

A as a finance cost in the income statement

B as an administrative expense in the income statement

C under retained earnings in the statement of changes in equity

D under share capital in the statement of changes in equity

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15 The total equity of a company on 1 January 2017 was $400 000. The following information is available for the year ended 31 December 2017.

1 There was a rights issue of 20 000 ordinary shares of $1 each at $1.50 in June 2017. All of these were taken up.

2 The profit for the year was $45 000.

3 Dividends paid during the year were $8000 and dividends proposed at the year end were $15 000.

4 A transfer to the general reserve of $10 000 was made.

What was the total equity at 31 December 2017?

A $442 000 **B** $452 000 **C** $467 000 **D** $477 000

16 A company makes a bonus issue of shares.

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

	share capital	total assets
A	decrease	decrease
B	decrease	no change
C	increase	increase
D	increase	no change

17 A company raises finance by issuing debentures.

What is the effect on net current assets and short-term profits?

	net current assets	short-term profits
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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18 Why would employees be interested in their employer's financial statements?

A to assess whether the business can continue to trade in the foreseeable future

B to compare their salaries with the employees of competitors

C to put a value on the goodwill of the business

D to understand the impact of the business on the economy

19 A business has provided the following information.

costs of sales	$240 000
gross margin	25%
profit for the year	$16 000

What was the expenses to revenue ratio to the nearest whole percent?

A 15% **B** 18% **C** 20% **D** 27%

20 A business apportions some of its overhead expenses across its production departments.

Why might building maintenance costs **not** be included with the other overheads being apportioned?

A Building maintenance costs are fixed.

B Building maintenance is not necessary for production to take place.

C No suitable basis for apportionment can be found.

D They can be identified with specific cost centres.

21 The following information is provided by a hotel for a 30 day period.

	rooms with two beds	single rooms
number of letting bedrooms	180	60
average number of rooms occupied per day	150	50
number of guests in period	5250	
average length of stay	2 days	
payroll and cleaning costs	$300 000	

What is the average cost per occupied bed per day?

A $23.80 **B** $28.57 **C** $50.00 **D** $57.14

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22 The following information is available for a manufacturing business.

What could cause an under-absorption of overheads?

		actual	budget
A	machine hours	2 000	1 000
B	overhead expenditure ($)	8 000	10 000
C	production units	3 000	5 000
D	sales units	6 000	5 000

23 A business produces two products for the month of January. Overheads are absorbed using the direct labour hour rate. The production details are as follows.

	product	
	P	Q
units manufactured and sold	5000	2000
direct labour hours per unit	1.5	1

Direct costs for the month were $23 750.

The fixed overheads were $6500.

What was the overhead absorption rate?

A $0.68 per hour

B $2.50 per hour

C $3.18 per hour

D $3.39 per hour

24 The following information relates to a business for a year.

	$
selling price per unit	100
variable costs per unit	60
total fixed costs	90 000
profit for the year	15 000

How many units were sold for the year?

A 1750 **B** 1875 **C** 2250 **D** 2625

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25 What will result in an increase in the margin of safety for a business?

A accepting higher trade discounts from suppliers and offering overtime to labour

B accepting higher trade discounts from suppliers but not offering overtime to labour

C not accepting higher trade discounts from suppliers but offering overtime to labour

D not accepting higher trade discounts from suppliers and not offering overtime to labour

26 A chemical plant produces a batch of 50 000 units. Direct materials cost $400 000. Direct labour is 1000 hours at a cost of $60 000, and overheads are absorbed at the rate of $60 per direct labour hour.

What is the cost of **one** unit?

A $8.00 **B** $9.20 **C** $10.40 **D** $14.00

27 A company paid the following telephone costs.

month	number of customer enquiries	total cost $
1	250 000	425 000
2	350 000	575 000

Telephone costs are a semi-variable cost.

What would be the total telephone costs incurred for 305 000 enquiries?

A $501 071 **B** $507 500 **C** $508 333 **D** $518 500

28 The production of a business is limited by a shortage of direct material.

What must be calculated to prepare the most profitable production plan?

A contribution per unit of limiting factor

B contribution per unit of production

C profit per unit of limiting factor

D profit per unit of production

29 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 for the period?

A 22 500 units

B 24 000 units

C 25 500 units

D 90 000 units

30 What should **not** be a reason for business planning?

A to assist with management decision making

B to avoid departmental conflict

C to identify staff redundancy opportunities

D to support an application for funding

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