Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **May/June 2019**

1 hour

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

* 6 6 5 9 6 6 2 9 7 5 *

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.

© UCLES 2019

1 A business has a practice of **not** conducting a physical count of unused stationery at the year end.

Which accounting concept has been applied for this practice?

A matching

B materiality

C money measurement

D prudence

2 Why is depreciation provided on non-current assets?

1 to ensure funds are available to replace the item

2 to ensure the profits of the business are not overstated

3 to match the cost of the asset with the revenue it earns

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

3 The net book value of motor vehicles of a business was as follows:

	31 December 2017	31 December 2018
motor vehicles	$238 000	$243 000

During the year ended 31 December 2018, a new motor vehicle was purchased for $47 000. A motor vehicle costing $53 000 with accumulated depreciation $31 000 was sold for $7000.

What was the depreciation charge for motor vehicles for the year ended 31 December 2018?

A $11 000 **B** $20 000 **C** $35 000 **D** $42 000

4 A business with a year-end of 31 December purchased a motor vehicle on 1 January 2015 for $24 000. The estimated useful life of the motor vehicle was four years and the estimated residual value at the end of four years was $8000.

The business depreciates motor vehicles at 25% per annum using the reducing balance method. No depreciation is charged in the year of disposal.

The motor vehicle was sold on 31 July 2018 for $12 000.

What was the profit on the sale of the motor vehicle?

A $1875 **B** $4000 **C** $5250 **D** $6000

© UCLES 2019

5 A bank statement shows a credit balance of $1500.

A payment of $500 and a receipt of $1250 were included in the cash book but have not yet appeared on the bank statement.

Bank interest payable of $1100 had been correctly recorded in the cash book but due to a bank error had been recorded in the bank statement as $1000.

What is the cash book balance?

A $650 **B** $850 **C** $2150 **D** $3350

6 A sales invoice to Jane has **not** been recorded in the books of prime entry.

Which accounts are affected by this error?

	sales ledger control	Jane
A	no	no
B	no	yes
C	yes	no
D	yes	yes

7 A business's suspense account appears as follows:

	$		$
discount allowed	150	opening balance	100
		sales	50
	150		150

Which statements are correct?

1 Total debits had been $100 less than total credits in the trial balance.

2 The sales account had been overcast by $50.

3 The discount allowed account had been overcast by $150.

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

© UCLES 2019

8 The following information is available for a business.

The balance on its purchases ledger control account was $5900.

The total of the balances in its purchases ledger was $5510.

The following errors were discovered.

1 The purchases journal had been overcast by $250.

2 A sales ledger contra of $340 had been omitted from the purchases ledger control account.

3 A supplier was paid $400 which was correctly entered in the cash book but had been entered in the supplier's account as $200.

What is the correct value of trade payables?

A $5110 **B** $5250 **C** $5310 **D** $5510

9 Brian sent goods to Ravi on a sale or return basis at a selling price of $5000. His selling price is based on a mark-up of 25%. Ravi returned goods with a selling price of $1000 and purchased the remainder.

What was the net effect on Brian's inventory value?

A $800 increase

B $1000 increase

C $3200 decrease

D $4000 decrease

10 A business has provided the following information about its inventory.

	$
cost price	18 750
cost of repairs required to bring the inventory to a saleable condition	3 750
selling price after the repairs	21 000

Which valuation should be used for inventory in the financial statements?

A $15 000 **B** $17 250 **C** $22 500 **D** $24 750

© UCLES 2019

11 A business provided the following information about telephone expenses for the year ended 31 December 2018.

	$
prepaid at 1 January 2018	975
accrued at 1 January 2018	650
bank payments during the year	4875
prepaid at 31 December 2018	1175
accrued at 31 December 2018	545

What was the telephone expense to be included in the income statement for the year ended 31 December 2018?

A $3920 **B** $4570 **C** $5180 **D** $5830

12 L and M are in partnership.

Which item should appear in the partnership appropriation account?

A additional capital contributed by M

B cash drawings of L and M during the year

C salary due to L

D salary paid to M's sister

13 X and Y had been in partnership sharing profits and losses equally.

On 1 July 2018, Z was admitted as partner and the three partners shared profits and losses equally.

On that date assets were revalued and there was a profit on revaluation, $36 000.

What were the accounting entries to record the profit on revaluation?

A credit X current account $18 000, credit Y current account $18 000

B credit X current account $12 000, credit Y current account $12 000, credit Z current account $12 000

C credit X capital account $18 000, credit Y capital account $18 000

D credit X capital account $12 000, credit Y capital account $12 000, credit Z capital account $12 000

14 P, Q and R are in partnership.

Q is retiring and the following terms have been agreed.

Goodwill is valued at $35 000 but will not be retained in the books of account.

Net assets are revalued downwards.

Which entries in the capital account of Q record these adjustments?

	goodwill	revaluation of assets
A	credit	credit
B	credit	debit
C	debit	credit
D	debit	debit

15 A company issued $1 ordinary shares for $1.20 each. The total proceeds were recorded in the ordinary share capital account.

Which journal entry completes the entries for the share issue?

	account to debit	account to credit
A	suspense	ordinary share capital
B	ordinary share capital	suspense
C	ordinary share capital	share premium
D	share premium	ordinary share capital

16 An extract from a company's statement of financial position showed the following information.

	$000
issued capital: 2 million ordinary shares of $0.50 each	1000
share premium	600
retained earnings	2400

The directors have agreed to make a bonus issue of 3 ordinary shares for 4 shares held. They wish to maintain reserves in their most flexible form.

Which debit entry should be made in the retained earnings account?

A $150 000 **B** $750 000 **C** $900 000 **D** $1 500 000

© UCLES 2019

17 A company issues 500 000 $1 ordinary shares for $3 each and $250 000 debentures of 6%.

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

A $750 000

B $1 250 000

C $1 500 000

D $1 750 000

18 Which ratio calculates the average time a business takes to pay its credit suppliers?

A current ratio

B liquid (acid test) ratio

C trade payables turnover

D trade receivables turnover

19 The financial statements of a company include the following:

	$
profit for the year	245 000
finance costs	120 000
preference share capital	220 000
ordinary share capital	850 000
general reserves	140 000
retained earnings	260 000

What is the return on capital employed (ROCE)?

A 16.67% **B** 22.90% **C** 24.83% **D** 34.11%

© UCLES 2019

20 A business has prepared the following information for the year ended 30 April 2019.

	$	$
revenue		220 000
opening inventory	25 000	
purchases	120 000	
closing inventory	(31 000)	
cost of goods sold		114 000
gross profit		106 000

What was the inventory turnover?

A 86 days

B 90 days

C 95 days

D 100 days

21 Eight employees work in a team. Each employee is paid $16 an hour and the team share a group bonus between them, which is based on their output of product. For any production in excess of 500 units the team, as a group, is paid a bonus of $8 per unit. The bonus is shared equally and paid on a weekly basis.

Last week each member of the team worked 40 hours, and the team as a whole produced 560 units.

What is the pay of each member of the team?

A $700 **B** $760 **C** $1120 **D** $1200

22 A company uses the weighted average cost (AVCO) method to value its inventory.

The following information is available for an item of inventory.

February	1	Balance	20 units at $4 each
	14	Purchased	40 units at $5 each
April	1	Purchased	40 units at $8 each
May	22	Issued	55 units

What was the **total** cost of the units issued?

A $255 **B** $270 **C** $330 **D** $345

© UCLES 2019

23 A factory employs a large number of staff who pack different products for different customers.

What would be the most suitable basis to absorb the packing department overheads?

A customer

B labour hours

C machine hours

D product

24 The following information is available.

	budget	actual
overhead cost $	60 000	66 000
direct labour hours	30 000	35 000

Overheads are absorbed on the basis of direct labour hours.

What was the amount of over absorption or under absorption of overheads?

A $4000 over

B $4000 under

C $6000 over

D $6000 under

25 A business employs machinists to make a single product.

As demand increases more machinists are employed. Every time eight extra machinists are employed, one extra supervisor is needed.

How are total labour costs best described?

	machinists	supervisors
A	fixed	variable
B	stepped	variable
C	variable	fixed
D	variable	stepped

© UCLES 2019

26 A company makes two products.

	product	
	X	Y
selling price	$10	$12
variable costs per unit	$4	$8
maximum sales (units)	4000	14 000

Total fixed costs are $44 700.

4000 units of X are sold.

How many units of Y must be sold to break even?

A 3450 **B** 3725 **C** 5175 **D** 11 175

27 A company has fixed costs of $30 000. It sells 10 000 units of a single product for $20 per unit and has a contribution to sales ratio of 75%.

What is the increase in profit if total sales are 15 000 units?

A $45 000 **B** $75 000 **C** $195 000 **D** $225 000

28 A company's budget shows figures for costs and sales for the month ended 31 March 2019.

variable costs per unit	$20
selling price per unit	$35
volume sold	2000 units
fixed costs	$10 000

In March the actual sales volume was 10% lower than budgeted.

By how much was actual profit lower than budgeted profit?

A $2000 **B** $3000 **C** $5700 **D** $7000

29 A business changed from using absorption costing to marginal costing. This had no effect on profit for the month.

What had happened in the month?

A Production was stopped during the period.

B Units produced and sold were equal.

C Units produced were greater than units sold.

D Units produced were less than units sold.

© UCLES 2019

30 Why might a business prepare budgets?

1 to improve coordination between departments

2 to encourage planning and decision-making

3 to monitor and control costs

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

© UCLES 2019

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.

© UCLES 2019