Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **May/June 2021**

1 hour

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

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1 A business purchased a pocket calculator for the use of the book-keeper. The accountant included it as an expense in the income statement.

Which accounting concept is applied?

A historic cost

B materiality

C realisation

D substance over form

2 What is **not** a reason for a business to maintain a purchases journal?

A to assist in preparing the purchases ledger control account

B to divide book-keeping duties between several people

C to keep transactions of a similar nature in one place

D to reduce the number of entries in the purchases ledger

3 A business purchased a machine, making the following payments.

	$
machine cost	7500
alterations to improve efficiency	1200
insurance for 12 months	400
installation costs	800
	9900

What was the cost of the machine to be included in non-current assets?

A $7500 **B** $8700 **C** $9500 **D** $9900

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4 A business had a financial year end of 31 December 2020.

On 1 September 2020 it had sold an old motor vehicle and purchased a replacement.

How were these transactions recorded in the provision for depreciation account on 1 September 2020?

	the transfer to the disposal account was recorded on the debit side	depreciation on the new vehicle was recorded on the credit side
A	✗	✗
B	✗	✓
C	✓	✓
D	✓	✗

key

✓ = correct

✗ = not correct

5 During the year ended 31 December 2017 a business purchased a vehicle for $23 500.

On 30 September 2020 it was sold for $3500.

Depreciation was charged at 20% per annum using the straight-line method. A full year's depreciation was charged in the year of purchase **and** the year of disposal.

What was the profit or loss on disposal of the vehicle?

A $1200 loss

B $1200 profit

C $5900 loss

D $5900 profit

6 X sold Y goods on credit with a list price of $5000. When X prepared the invoice, he forgot to give Y 10% trade discount.

What was the effect of this error in X's books of account?

1 A suspense account with a credit balance of $500 was opened.

2 A suspense account with a debit balance of $500 was opened.

3 Assets were overstated by $500.

4 Assets were understated by $500.

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

7 At the end of a financial year, the debit balance on a trader's sales ledger control account was $26 800. At the same date, his sales ledger balances totalled $30 000. He discovered the following.

1 A dishonoured cheque of $1000 had been omitted from the sales ledger control account.

2 A sales ledger credit balance of $500 had been listed as a debit balance.

3 The sales journal had been undercast by $1200.

What was the amount of trade receivables to be included in the statement of financial position?

A $26 600 **B** $29 000 **C** $29 500 **D** $31 000

8 A trader extracted the following information from his books of account at 31 March 2021.

	$
purchases ledger balances at 1 March 2021	32 100
credit purchases for March	26 400
cheques paid to credit suppliers in March	29 700
contra with sales ledger	600
discount received	400

What was the closing balance on the purchases ledger control account at 31 March 2021?

A $27 800 **B** $29 800 **C** $29 000 **D** $34 400

9 Some items of closing inventory have been incorrectly included in the financial statements at their cost prices rather than their net realisable values.

What was the effect of this error?

	profit for the year	current assets
A	higher	higher
B	lower	lower
C	higher	lower
D	lower	higher

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10 Marianna rents part of her premises to Paul.

On 1 April 2020, the rent receivable account showed a balance of $800 as Paul owed rent for the last month of the financial year ended 31 March 2020.

From 1 April 2020 there was a 5% increase in the annual rent.

Marianna received payments from Paul during the year ended 31 March 2021 totalling $10 040.

Which figures should be included in Marianna's financial statements for the year ended 31 March 2021?

	income statement $	current assets $
A	10 040	800
B	10 040	840
C	10 080	800
D	10 080	840

11 X is a sole trader.

Which statement about X is correct?

A Her accounts include both a capital and a current account.

B She can receive an annual salary.

C She can receive interest on the capital she has invested in the business.

D She can take drawings in excess of the profit for the year.

12 John took goods from the business for his own use. These had cost $125, and $20 had been paid for their delivery to the business premises.

How was this recorded in John's books of account?

	debit accounts	$	credit accounts	$
A	drawings	145	purchases carriage inwards	125 20
B	drawings	145	purchases carriage outwards	125 20
C	purchases carriage inwards	125 20	drawings	145
D	purchases carriage outwards	125 20	drawings	145

13 P and Q were in partnership, sharing profits and losses equally. R was admitted to the partnership. The terms of R's admission were as follows.

1 R introduced capital of $20 000 cash and a vehicle valued at $6000.

2 Non-current assets were revalued upwards by $14 000.

3 Goodwill was valued at $10 000, but will not be retained in the books of account.

4 The new future profit-sharing ratio will be P, Q, R, 2 : 2 : 1.

What was the opening balance on R's capital account?

A $21 200 **B** $24 000 **C** $28 000 **D** $28 800

14 H and D are in partnership. They are charged 5% interest on their annual drawings.

Their appropriation account for the year ended 30 April 2021 showed the following.

	H $	D $
interest on drawings	2 080	1 520
interest on capital	2 000	1 000
salaries	20 000	15 000
share of profits	63 000	42 000

On 1 May 2020 the balance on H's current account was $3300 debit.

What was the credit balance on H's current account on 30 April 2021?

A $38 020 **B** $40 100 **C** $79 620 **D** $81 700

15 L and M are in partnership. The following information about the partnership relates to 2020.

		$
profit before appropriation		88 000
interest on drawings:	L	1 000
	M	1 000
interest on capital:	L	3 000
	M	1 000

Profits are shared in the same ratio as partners' capital account balances.

What is L's share of the residual profit?

A $41 000 **B** $43 000 **C** $61 500 **D** $64 500

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16 A company's statement of financial position shows the following balances.

	$
ordinary shares of $1 each	100 000
share premium	10 000
retained earnings	48 000
bank (debit)	50 000

A bonus issue of one ordinary share for every four ordinary shares held takes place. Reserves are kept in their most flexible form.

What are the new account balances?

	share premium $	retained earnings $	bank (debit) $
A	nil	33 000	50 000
B	nil	33 000	75 000
C	10 000	23 000	50 000
D	10 000	23 000	75 000

17 What are shown in the statement of changes in equity?

A bonus issue, debenture interest paid, profit for the year

B bonus issue, dividends proposed, loss for the year

C rights issue, dividends paid, profit for the year

D rights issue, debenture interest paid, loss for the year

18 The following information is available for a limited company at 31 December 2020.

	$
non-current assets	200 000
shareholders' equity	170 000
5% debentures (2028)	40 000
bank loan	150 000

The bank loan is repayable in five annual equal instalments with the first payment due on 1 June 2021.

What was the total working capital at 31 December 2020?

A $120 000 **B** $130 000 **C** $160 000 **D** $190 000

19 A trader has been making a provision for irrecoverable debts for some years. He is now considering reducing the percentage rate of the provision.

Which ratios would be affected by this reduction?

1 current ratio

2 gross margin

3 profit margin

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

20 The following information is available for a business for the year ended 31 December 2020.

rate of inventory turnover	20 times
opening inventory	$40 000
closing inventory	$20 000
gross margin	25%

What was the revenue for the year ended 31 December 2020?

A $750 000 **B** $800 000 **C** $900 000 **D** $1 000 000

21 The following information is available regarding direct materials for a month.

opening inventory	1000 kgs at $20 per kg
purchases	20 000 kgs at $22 per kg
closing inventory	3500 kgs

Inventory is valued using the first in, first out (FIFO) method.

What was the cost of the materials issued to production for the month?

A $363 000 **B** $367 500 **C** $383 000 **D** $385 000

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22 Alice works from home making and selling greetings cards. All of her business costs are variable.

Alice plans to double her output. To do this she will need to rent a small workshop.

Which costs will increase?

	fixed cost per unit	variable cost per unit	total variable cost
A	✓	✓	
B		✓	✓
C	✓		✓
D	✓	✓	✓

23 Which costs are included when calculating the cost of sales using absorption costing?

1 factory overhead costs

2 fixed selling and distribution costs

3 finance costs

4 direct costs

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

24 A company has budgeted the following factory overheads for the next financial year.

	machining	assembly	stores	total
overheads	$80 000	$50 000	$10 000	$140 000

Machining and assembly are production departments and stores is the service department. The two production departments issued requisitions to stores as follows.

machining	120
assembly	80
total	200

What was the budgeted overhead absorption rate for the machining department based on 4300 budgeted machine hours?

A $18.60 **B** $20.00 **C** $30.23 **D** $32.56

25 Which values per unit are **not** sufficient to enable the calculation of the contribution to sales ratio?

A contribution, fixed cost

B selling price, fixed cost, profit

C selling price, variable cost

D variable cost, fixed cost, profit

26 Which statement concerning the break-even point is correct?

A At the break-even point a company makes a profit.

B Contribution equals fixed costs at the break-even point.

C Fixed costs are equal to sales revenue at the break-even point.

D Variable costs equal fixed costs at the break-even point.

27 Which assumptions about cost–volume–profit analysis are correct?

1 Many different factors cause costs and revenues to change.

2 Selling price and variable cost per unit are usually constant.

3 Selling price and variable cost per unit change.

4 The only factor causing costs and revenues to change is volume.

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

28 For the month of April a business manufactured 4000 units and sold 3600 units.

The following total costs have been incurred.

	$
direct materials	80 000
direct labour	120 000
variable production overheads	36 000
variable selling commission	18 000
fixed production overheads	144 000

There was no opening inventory.

The business values inventory using marginal costing.

What is the value of the closing inventory?

A $20 000 **B** $23 600 **C** $25 400 **D** $39 800

29 A manufacturer has fixed costs of $300 000.

It manufactures and sells a single product for $80 per unit. The contribution to sales ratio is 60%.

How many units does it need to sell to make a profit of $600 000?

A 6250 **B** 6750 **C** 12 500 **D** 18 750

30 Which statements concerning the use of a budgetary control system are correct?

1 Managers should receive a copy of the budget.

2 Managers should agree with the aims and objectives of the budget.

3 Managers should be consulted when the budget is prepared.

4 Managers should be committed to attaining budget outcomes.

A 1, 2, 3 and 4

B 1 and 2 only

C 2, 3 and 4 only

D 3 and 4 only

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