Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **May/June 2022**

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 Mia has agreed to supply goods to a customer on a sale or return basis. At the end of her financial year, the customer has not indicated whether they will keep the goods.

Which accounting concept should Mia apply to these items in her financial accounts?

A matching

B prudence

C realisation

D substance over form

2 Which item should be treated as capital expenditure?

A cost of a printer for an existing computer system

B rent paid on a factory, whilst the company negotiated the purchase of the factory

C repainting the wooden office door

D repair costs to a car which are not covered by insurance

3 A business has a financial year end of 31 December. It purchased a vehicle on 1 January 2019 for $30 000.

The business depreciates vehicles at the rate of 20% per annum using the reducing balance method. Depreciation is charged on a month-by-month basis.

The vehicle was sold on 30 September 2021.

A profit on disposal of $3000 had been calculated. However, no entries had been made to record the depreciation for 2021.

What was the effect of **not** recording the depreciation for 2021 on the profit on disposal?

A $2880 overstated

B $3840 overstated

C $2880 understated

D $3840 understated

4 A trader bought a machine on 1 January 2019. He depreciated it at the rate of 10% per annum using the straight-line method.

He sold this machine on 1 January 2021 for $4000. The profit on disposal was $200.

How much had the machine cost on 1 January 2019?

A $4560 **B** $4750 **C** $5040 **D** $5250

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5 Which item is recorded on the credit side of a sales ledger control account?

A discount received

B dishonoured cheques

C interest on overdue accounts

D set-off of amounts in the purchases ledger

6 The bank column of the cash book showed a credit balance of $2915. This did not agree with the balance shown on the bank statement.

It was then discovered that:

1 a bank transfer, $150, from a customer was not recorded in the cash book

2 a cheque, $450, received from a customer was not recorded on the bank statement

3 a cheque, $530, issued to a supplier was incorrectly recorded in the cash book as $350 but was correctly recorded by the bank

4 bank charge, $25, was not recorded in the cash book.

When these items were adjusted, the cash book balance agreed with the bank statement balance.

What was the balance shown on the bank statement **before** any adjustments were made?

A $2520 debit

B $2520 credit

C $3420 debit

D $3420 credit

7 The correction of which error would require an entry in the suspense account?

A A sales invoice, $45, was omitted from the sales journal.

B Drawings, $60, were debited in the cash book and were credited to the drawings account.

C Vehicle repairs, $100, were debited to the vehicles at cost account.

D Wages, $150, were correctly recorded in the wages account and debited in the cash book.

8 The amount of the expense for rent and rates recorded in the income statement for the year ended 31 December 2021 was $76 230.

The following information was also available.

	balance brought forward 1 January 2021 $	balance carried forward 31 December 2021 $
rent accrued	4000	6500
rates prepaid	770	820

How much was paid from the bank account for rent and rates during the year ended 31 December 2021?

A $73 680 **B** $73 780 **C** $78 680 **D** $78 780

9 Which statements regarding the financial statements of a sole trader are correct?

1 Cash drawings for the year are recorded in the income statement.

2 Gross profit for the year is shown in the statement of financial position.

3 Prepayments only appear in the income statement.

4 Trade receivables appear in the statement of financial position.

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

10 A business provided the following information regarding its first year of trading.

	$
credit sales	93 730
receipts from credit customers	76 500
irrecoverable debt written off	150
contra recorded between purchases ledger and sales ledger	80

The net trade receivables recorded in the statement of financial position at the end of the year were $16 660.

What was the balance on the provision for doubtful debts account at the end of the year?

A $340 **B** $490 **C** $500 **D** $650

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11 Which items are recorded in the income statement of a sole trader?

1 interest payable on bank loan

2 interest on capital

3 transfer to general reserve

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

12 A summary of a trader's bank statements for his first year of trading showed the following amounts.

	$
receipts from credit customers	25 000
cash sales takings banked	82 000

The trader took $2000 **every month** from takings as drawings before banking the remaining takings. Trade receivables at the year end amounted to $9500.

What was total revenue for the year?

A $73 500 **B** $92 500 **C** $121 500 **D** $140 500

13 Jane provided the following information about her business.

	1 January 2021 $	31 December 2021 $
total assets	108 000	119 000
current liabilities	7 500	11 500

During the year, the business took a long-term loan of $10 000 and Jane's drawings totalled $12 000.

What was Jane's profit for the year ended 31 December 2021?

A $7000 **B** $9000 **C** $19 000 **D** $29 000

14 Which factors may cause a partnership to revalue its tangible non-current assets?

1 admission of a new partner

2 change in the profit-sharing ratios

3 retirement of a partner

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

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15 L and M were in partnership sharing profits and losses in the ratio of 2 : 1.

At 31 December 2021, the assets and liabilities of the partnership were as follows.

	$
non-current assets at net book value	600 000
inventory	50 000
trade receivables	40 000
bank	5 000 debit
trade payables	20 000
capital and current account L	350 000
capital and current account M	325 000

The partnership closed on 31 December 2021.

At that date the following took place.

1 The non-current assets were sold for $654 000.

2 Inventory was sold for $80 000.

3 All trade receivables were collected and trade payables were settled at their book values.

4 Realisation expenses were $6000.

What was L's share of the profit on realisation?

A $50 000 **B** $52 000 **C** $56 000 **D** $60 000

16 X, Y and Z are in partnership sharing profits and losses in the ratio 5 : 2 : 3.

Y is entitled to a salary of $18 000 per annum.

Partners receive interest at 6% per annum on their capital account balances at the beginning of the year.

At the beginning of the year, capital account balances were as follows.

	$
X	30 000
Y	22 000
Z	20 000

The profit for the year before Y's salary and partners' interest on capital is $140 000.

What is Y's share of the total profits?

A $23 536 **B** $28 000 **C** $42 856 **D** $46 000

17 During the year, a business issued $1 ordinary shares at $1.20 each. The directors proposed a final dividend at the end of the year.

Which balances in the statement of changes in equity were affected by these transactions?

	ordinary share capital	share premium	general reserve	retained earnings
A	✓	✓		
B	✓	✓		✓
C	✓		✓	
D	✓			✓

18 The following items were taken from the bank transactions of a company for a period.

	$
share issue proceeds	30 000
sale of non-current assets	5 000
dividend paid	9 000
increase in bank loan	6 000

What was the net increase in the company's bank balance as a result of these?

A $28 000 **B** $32 000 **C** $38 000 **D** $40 000

19 On 1 January 2021, W Limited had total revenue reserves of $122 000.

During the year ended 31 December 2021, the following took place.

1 A dividend of $7500 was paid.

2 An amount of $10 000 was transferred from retained earnings to general reserve.

3 Premises were revalued upwards by $19 800.

For the year ended 31 December 2021, W Limited made a profit for the year of $32 000.

What was the total of revenue reserves at 31 December 2021?

A $136 500 **B** $141 800 **C** $146 500 **D** $156 300

20 What would increase the current ratio of a business?

A buying goods on credit for $2000 and selling immediately for $3000 cash

B paying wages of $1000 in cash

C purchasing a non-current asset of $10 000 on credit

D selling goods of $1000 at cost price on credit

21 The following information is available for a business.

	$
sales	36 000
purchases	21 000
inventory at 1 January 2021	3 500
inventory at 31 January 2021	2 800

What is the rate of inventory turnover for January?

A 6.67 times

B 6.89 times

C 7.75 times

D 11.43 times

22 Which statements about a semi-variable cost are correct?

1 Part of the amount always changes for any level of output.

2 Part of the amount changes for a given level of output.

3 The amount always changes for a given level of output.

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

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23 A company has a financial year end of 30 November. It has no opening inventory at the beginning of the financial year.

During the year, the following amounts of inventory are purchased.

date	quantity	unit cost $
30 March	330	40
1 November	288	50

Sales for the period are 500 units at $100 each.

Inventory is valued using the average cost (AVCO) method.

What is the value of inventory, to the nearest dollar, at the end of the year?

A $4720 **B** $5270 **C** $5900 **D** $11 800

24 A business has the following budgeted data for a production of 50 000 units.

	$
direct production cost	300 000
indirect labour	20 000
factory supervisor salaries	60 000
sales staff salaries	70 000
depreciation on machinery for production	80 000
depreciation on motor vehicles for delivery	50 000
administrative expenses	360 000
total costs	940 000

To determine the selling price, the business adds 40% on the cost of production.

What would be the total selling price of 500 units?

A $4200 **B** $5600 **C** $6440 **D** $7140

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25 A trader rents a vehicle for $10 000 which allows him to cover 20 000 miles per financial year. If this mileage is exceeded, an additional charge of $5000 is made.

Which type of cost is this an example of?

A fixed

B semi-variable

C stepped

D variable

26 When might a business calculate its contribution to sales ratio rather than contribution per unit?

A when the break-even point needs to be expressed in units

B when the business produces and sells several different products

C when the value of fixed costs is uncertain

D when there are limiting factors affecting production

27 The following information is available.

	$
selling price per unit	50
variable manufacturing expense per unit	26
variable selling expense per unit	4
total manufacturing overhead	360 000
total administrative overhead	120 000

What is the break-even point in **units**?

A 15 000 **B** 18 000 **C** 20 000 **D** 24 000

28 K Limited manufactures and sells a single type of product. The following budgeted information is available in respect of it.

selling price	$80 per unit
variable costs	$28 per unit
total fixed costs	$70 000
production and sales	3500 units

How many **extra** units would the company need to produce and sell to increase the budgeted profit by $26 000?

A 325 **B** 362 **C** 500 **D** 813

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29 M Limited manufactures and sells two different colours of paint. The following actual information is available for last year.

	red paint $	blue paint $	total $
revenue	350 000	150 000	500 000
direct materials and labour	180 000	65 000	245 000
allocated fixed overheads	110 000	88 000	198 000
profit / (loss)	60 000	(3 000)	57 000

The company is considering closing the blue paint department and using the extra space to increase revenue in red paint by 20%. Variable costs will increase in the same proportion as the increase in revenue.

What would be the **change** in the total profit if this action is taken?

A $3000 increase

B $29 000 increase

C $51 000 decrease

D $85 000 decrease

30 Why might a business prepare budgets?

1 to encourage planning and decision-making

2 to improve coordination between departments

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

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