UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **October/November 2011**

1 hour

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

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READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, highlighters, 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.

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 The table gives data about rental income for the year ended 31 March 2011.

	$
rents owing 31 March 2010	1 400
rents received in advance 31 March 2010	1 300
cash received	13 700
rents written off	560
rents owing at 31 March 2011	1 750
rents paid in advance at 31 March 2011	1 600

Which value of rental income will appear in the income statement for the year ended 31 March 2011?

A $14 010 **B** $14 210 **C** $14 310 **D** $14 510

2 Expenditure on a machine during a year has included the following.

	$
insurance costs	2 400
new engine – machine will now produce more products per hour	22 300
cleaning costs	7 200

How much of this expenditure should be treated as capital expenditure?

A none **B** $22 300 **C** $24 700 **D** $31 900

3 What should companies **not** show as non-current assets in their balance sheets?

A plant bought on hire purchase

B plant fully depreciated

C plant held on finance leases

D plant held on operating leases

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4 Which accounting policies illustrate the matching principle?

1 charging depreciation on non-current assets

2 revaluing non-current assets on a irregular basis

3 using the reducing balance method of depreciation

A 1, 2 and 3

B 1 and 2 only

C 1 and 3 only

D 2 and 3 only

5 The table shows information for a business at 31 March in Year 1.

	$
inventory	16 100
trade payables	5 200
other payables	2 000

The information excludes the purchase of $3700 of goods. These goods were delivered on 31 March Year 1, but the invoice states that legal title to the goods does not pass until payment is received.

Which values should appear in the balance sheet on 31 March Year 1?

	inventory $	trade payables $	other payables $
A	16 100	5200	2000
B	16 100	5200	5700
C	19 800	5200	5700
D	19 800	8900	2000

6 A company values its loose tools for inclusion in its balance sheet.

The tools are not very valuable and the company uses estimating when valuing them.

Which accounting principle is being applied?

A accruals

B consistency

C going concern

D materiality

7 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 overdraft of $2600.

What is the balance on the bank statement?

A $150 in hand

B $150 overdraft

C $400 in hand

D $400 overdraft

8 A business provides the following information.

	$
cash received from customers	200 000
opening trade receivables	40 000
closing trade receivables	30 000
discounts allowed	5 000
provision for doubtful debts	4 000

How much are the credit sales?

A $190 000 **B** $195 000 **C** $199 000 **D** $215 000

9 Which error will cause a trial balance **not** to balance?

A an invoice entered as a credit note on original input.

B a journal entry that does not balance.

C a transaction entered as the wrong amount on original input.

D a transaction not entered.

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10 A manufacturing company incurred the following costs.

	$
manufacturing labour	350 000
raw materials purchased	230 000
opening inventory of raw materials	40 000
closing inventory of raw materials	50 000
factory overheads	400 000

What was the prime cost of production?

A $570 000 **B** $580 000 **C** $970 000 **D** $980 000

11 A company has two departments X and Y. Management provides the following information.

	department X	department Y	total
power used	7 500 kwh	17 500 kwh	25 000 kwh
area	30 000 square metres	20 000 square metres	50 000 square metres

The power bill for the year is $20 000 and the rent is $100 000.

What is the total amount for rent and heating to be attributed to department X?

A $54 000 **B** $62 000 **C** $66 000 **D** $72 000

12 If partners do not draw up a partnership agreement, the provisions of the Partnership Act apply.

Which statement is true as a provision of the Partnership Act?

A Interest on drawings is charged at 5% a year.

B Interest on loans from partners is to be at 8% a year.

C Partners are not entitled to salaries.

D Profits are to be shared in the ratio of fixed capitals.

13 X and Y have been business partners for several years, sharing profits in the ratio of 2:1. Y now wishes to retire and leave X to continue with a new business partner. Y's capital account amounts to $15 800 and his current account shows a debit balance of $3500.

Goodwill is valued at $6600. The book values of certain tangible assets are to be valued upwards by $3000.

What is the amount due to Y on his retirement from the business?

A $13 500 **B** $15 500 **C** $20 500 **D** $22 500

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14 Subscriptions received by a sports club were as follows.

	received year ended 31 December		
	2008 $	2009 $	2010 $
for membership in the year ended 31 December			
2008	1900	100	–
2009	300	2100	400
2010	–	200	2500

Note: all subscriptions for 2009 are included above.

A receipts and payments account and an income and expenditure account have been prepared for the year ended 31 December 2009.

What are the amounts of membership subscriptions shown in the receipts and payments account and the income and expenditure account for 2009?

	receipts and payments account $	income and expenditure account $
A	2100	2100
B	2400	2100
C	2400	2800
D	2800	2400

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15 The treasurer has provided the following information relating to a golf club's financial position at the year end.

	$
cash at bank	2 500
non-current assets	120 000
prepaid expenses	80
inventory of refreshments	500
subscriptions in advance	50
subscriptions in arrears	100
unpaid bills	200

What is the accumulated fund at the year end?

A $122 780 **B** $122 930 **C** $123 130 **D** $123 180

16 A trader buys and sells garden fertiliser in 50 kilo units. Inventory at 1 July was 250 units valued at $16 per unit. Purchases and sales during the month were as follows.

date		purchases (units)	sales (units)
3 July	sales		100
11 July	purchases ($13 per unit)	200	
14 July	sales		200
25 July	purchases ($14 per unit)	200	
29 July	sales		200

The FIFO method is used to value inventory.

What is the value of the closing inventory at 31 July?

A $1950 **B** $2100 **C** $2400 **D** $4000

17 Why is a provision for depreciation made in the financial statements?

A to charge the cost of non-current assets against profits

B to make a provision for repairs

C to make cash available to replace non-current assets when necessary

D to show the current market values of non-current assets

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18 When is working capital most likely to increase?

A when the business increases its selling prices

B when the credit period allowed to customers is reduced

C when the credit period taken from suppliers is increased

D when the value of inventory decreases

19 What occurs in a rights issue of shares?

A Any premium on the issue is added to a capital reserve.

B Any premium on the issue is added to a revenue reserve.

C Any premium on the issue is written off to the income statement.

D The nominal value of the issue is written off to the income statement.

20 A business has a rate of inventory turnover of 17 times a year.

What is the numerator in the calculation?

A average inventory

B closing inventory

C cost of sales

D credit sales

21 The following items appear on a balance sheet.

	$
inventory	20 000
balance at bank	2 000
cash in hand	1 500
trade payables	11 000
provision for doubtful debts	500

The current ratio is 3 : 1.

How much do the trade receivables owe?

A $9 500 **B** $10 000 **C** $12 000 **D** $12 500

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22 Which ratio measures a business' average payment period?

A current ratio

B liquid ratio

C trade payables turnover

D trade receivables turnover

23 A firm has calculated the following accounting ratios for the year ended 30 June:

	year ended	
	30 June 2010	30 June 2011
gross profit on sales	30 %	33 %
net profit on sales	15 %	14 %

What could explain the changes in the percentages?

A A fall in interest payments was equal to an increase in administration costs.

B An increase in raw material costs was covered by an increase in selling price.

C An increase in the advertising budget has allowed the firm to increase the selling price.

D An increase in the advertising budget has led to a rise in sales volume.

24 What is a limitation of the use of accounting information that is totally outside the entity's control?

A changes in legal reporting requirements

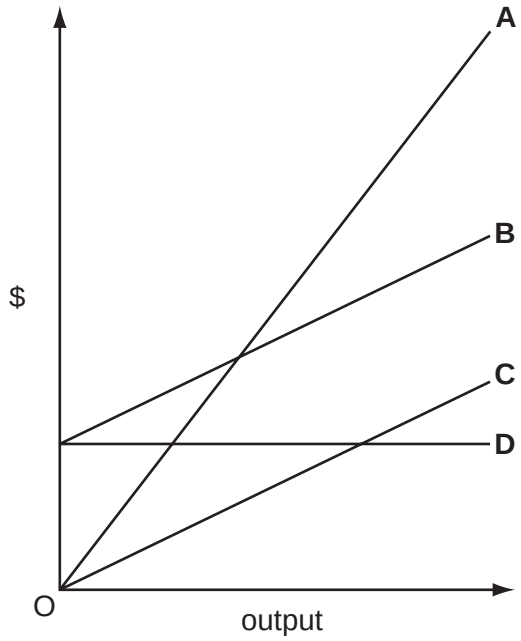
B changes in inventory valuation method

C changes in total assets employed

D changes in working capital

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25 Which line represents total variable cost?



26 A company makes and sells one product that has a variable cost of $21 and a contribution to sales ratio of 30 %. Total fixed costs per month are $112 500.

How many units need to be sold each month to break-even?

A 3750 units

B 5357 units

C 12 500 units

D 16 071 units

27 A product has a contribution per unit of $20.

Which action would increase the total contribution by the greatest amount?

A a 10 % increase in selling price

B a 10 % increase in the volume of sales

C a 10 % reduction in variable costs

D a 20 % reduction in fixed costs

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28 What is a benefit of using absorption costing?

A It allows a business to calculate the break-even point for production.

B It allows a business to calculate the total cost of goods produced.

C It allows a business to show a lower value for year end inventory.

D It allows decision-making on utilising spare capacity by increasing production.

29 What will cause under-absorption of fixed production overheads?

A absorption of overheads is based on actual expenditure and actual activity

B actual expenditure on overheads is below budget expenditure

C actual activity is above budgeted activity

D actual activity is below budgeted activity and actual expenditure is as budgeted

30 A business provides the following data for the year.

budgeted output (units)	10 000
actual output (units)	8 000
	$
budgeted fixed production costs	1 200 000
budgeted variable production costs	800 000
budgeted fixed selling overhead	600 000

What is the absorption cost per unit used for inventory valuation?

A $200 **B** $250 **C** $260 **D** $325

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