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

**ACCOUNTING** **9706/12**

Paper 1 Multiple Choice **October/November 2012**

**1 hour**

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

*7930743925*

**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.

This document consists of **10** printed pages and **2** blank pages.


© UCLES 2012

**1** Rent for premises is paid monthly in advance on the first day of each month. The payments during the last financial year were as follows.

| | |
|---|---|
| up to and including 1 January | $1000 per month |
| from 1 February | $1200 per month |

Which amount(s) will appear in the financial statements for the year ended 30 April?

| | income statement | statement of financial position |
|---|---|---|
| **A** | $12 400 | – |
| **B** | $12 600 | – |
| **C** | $12 600 | $1200 accrual |
| **D** | $12 600 | $1200 prepaid |

**2** Which item is revenue expenditure?

**A** cost of painting new office premises during construction

**B** cost of repairs to factory plant and machinery

**C** legal fees for the purchase of new factory premises

**D** wages of a company's own workmen for building an office extension

**3** The following items appear in a statement of financial position.

- an estimate of a liability in a court case, the outcome of which is uncertain
- an unrealised surplus from the revaluation of a non-current asset
- accumulated depreciation on non-current assets
- an estimate of future loss arising from bad debts

How many of these are provisions and how many are reserves?

| | provisions | reserves |
|---|---|---|
| **A** | 1 | 3 |
| **B** | 2 | 2 |
| **C** | 3 | 1 |
| **D** | 4 | 0 |

© UCLES 2012

**4** A trial balance shows the following information.

| | $ |
|---|---|
| premises at cost | 150 000 |
| accumulated depreciation on premises | 25 000 |

On 1 January the premises are revalued at $270 000. At the same time 200 000 shares of $1 each are issued for $300 000.

What is the value of the reserves created on 1 January?

**A** $120 000 **B** $145 000 **C** $220 000 **D** $245 000

**5** Which accounting principle attempts to deal with off-balance-sheet transactions?

**A** consistency

**B** going concern

**C** prudence

**D** substance over form

**6** Draft financial statements show revenue of $106 000 and closing inventory of $2100.

There were 100 items which had cost $10 an item but which were for sale at $6 an item. At the year end these were with a customer on a sale or return basis. These items were treated as having been sold although no sale had been agreed.

What are the values of revenue and inventory when the principle of prudence is applied?

| | revenue $ | inventory $ |
|---|---|---|
| **A** | 105 000 | 2700 |
| **B** | 105 000 | 3100 |
| **C** | 105 400 | 2700 |
| **D** | 105 400 | 3100 |

**7** Inventory is valued at the lower of cost and net realisable value.

Which accounting principle is being applied?

**A** going concern

**B** matching

**C** materiality

**D** prudence

© UCLES 2012

**8** A trial balance includes a suspense account. The bank balance of $28 412 has mistakenly been entered as an overdraft and placed on the credit side as $28 142.

There has also been an addition error and the debit side of the trial balance has been undercast by $450.

Which entry in the suspense account would correct these errors?

**A** credit $56 104

**B** debit $56 104

**C** credit $57 004

**D** debit $57 004

**9** A company has obtained the following information for the year ended 31 December.

| | $ |
|---|---|
| opening balance on sales ledger control account | 31 000 |
| closing balance on sales ledger control account | 35 000 |
| discount allowed | 2 300 |
| credit sales | 125 400 |

What was the amount of cash received from the customers?

**A** $119 100 **B** $123 700 **C** $127 100 **D** $131 700

**10** A draft income statement shows a profit for the year of $360 000. Interest received for the year of $1200 has been treated as interest paid.

What is the correct profit?

**A** $357 600 **B** $358 800 **C** $361 200 **D** $362 400

**11** What is prime cost?

**A** the total cost of manufacturing

**B** the total cost of manufacturing and selling

**C** the total of direct costs

**D** the total of indirect costs

© UCLES 2012

**12** A company operates three departments and apportions heat and light on the most appropriate basis.

The table shows information for a year.

| | department X | department Y | department Z | total |
|---|---|---|---|---|
| revenue | $950 000 | $710 000 | $690 000 | $2 350 000 |
| floor area (square metres) | 500 | 800 | 680 | 1980 |
| number of employees | 85 | 60 | 58 | 203 |
| heat and light | | | | $90 000 |

Which cost for heat and light is apportioned to department X?

| | $ |
|---|---|
| **A** | 22 727 |
| **B** | 30 000 |
| **C** | 36 383 |
| **D** | 37 685 |

**13** Which item appears in the financial statements of a limited company but **not** in those of a sole trader or partnership?

**A** dividends paid

**B** other payables

**C** other receivables

**D** trade payables

**14** Which items would appear in a partnership's appropriation account?

1 partners' interest on capital

2 partners' introduction of new capital

3 salaries of employees

4 salaries of partners

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

© UCLES 2012

**15** The following information relates to the annual membership subscriptions of a cricket club for the year ended 31 December.

| | 1 January<br>$ | 31 December<br>$ |
|---|---|---|
| subscriptions in arrears | 7200 | 7800 |
| subscriptions paid in advance | 2800 | 4200 |

Cash received during the year for subscriptions totalled $81 000.

Which amount should be shown in the income and expenditure account for membership subscriptions?

**A** $80 200 **B** $81 000 **C** $81 600 **D** $81 800

**16** A business does not keep complete accounting records. The following information is known:

| | $ |
|---|---|
| capital at start of year | 52 000 |
| capital at end of year | 55 000 |
| owner's drawings in year | 13 000 |
| capital introduced during the year | 25 000 |

What is the profit/loss for the year?

**A** loss $9000

**B** profit $9000

**C** loss $15 000

**D** profit $15 000

**17** The table shows information relating to closing inventory.

| | $ |
|---|---|
| cost | 50 000 |
| realisable value | 45 000 |
| costs of realisation | 5 000 |
| replacement cost | 35 000 |

What is the value of the closing inventory?

**A** $35 000 **B** $40 000 **C** $45 000 **D** $50 000

© UCLES 2012

**18** A company uses the straight-line method of depreciation for all its non-current assets.

On 1 January the company bought machinery on hire purchase. The cash price was $115 000 and the interest for the year is $19 550. The estimated useful life of the machinery is five years with no residual value.

What is the charge for depreciation for the year ended 31 December?

**A** $19 090 **B** $23 000 **C** $26 910 **D** $42 550

**19** A company has issued non-cumulative preference shares and ordinary shares.

Which statement is correct?

**A** If no preference dividend is paid, it is carried forward to a future year.

**B** Preference shareholders always get a dividend.

**C** Preference shareholders and ordinary shareholders always get a dividend.

**D** Preference shareholders may get a dividend.

**20** A company has an authorised share capital of 1 000 000 $0.50 ordinary shares. Its issued share capital is 800 000 shares. An ordinary dividend of 7½% is declared.

How much is payable to the shareholders?

**A** $30 000 **B** $37 500 **C** $60 000 **D** $75 000

**21** A company has the following year end information.

| | $000 |
|---|---|
| credit purchases | 210 |
| credit sales | 630 |
| total purchases | 280 |
| total sales | 840 |
| trade payables | 30 |
| trade receivables | 80 |

How long do the company's credit customers take to pay?

**A** 35 days **B** 39 days **C** 47 days **D** 52 days

**22** A company has a current ratio of 2:1.

Which transactions would always increase the ratio?

1 buying goods on credit

2 debtors paying their account to us

3 converting an overdraft to a long-term bank loan

4 selling non-current assets for cash

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

**23** A company wants to increase its return on capital employed in the short-term.

Which course of action will achieve this?

**A** invest in new plant and machinery

**B** reduce the level of dividends paid to investors

**C** reduce the level of overhead expenses

**D** revalue freehold land and buildings upwards

**24** Beatrice calculates some ratios to help her understand her financial statements.

What helps her interpretation of the ratios?

**A** availability of previous results

**B** changes in the economic conditions

**C** her employment of an inexperienced book keeper

**D** the fact that Beatrice is a sole trader

**25** A business employs machinists to make children's sunhats.

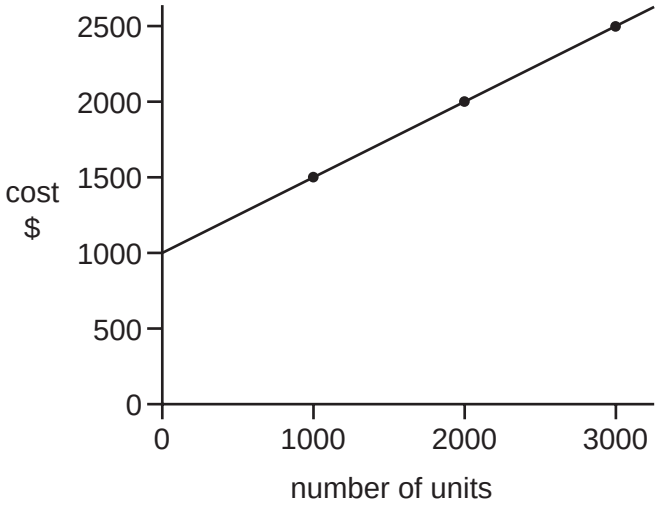
As demand increases more machinists are employed. Every time eight extra machinists are employed, one extra supervisor is needed.

How are total labour costs best described?

| | machinists | supervisors |
|---|---|---|
| **A** | fixed | variable |
| **B** | stepped | variable |
| **C** | variable | fixed |
| **D** | variable | stepped |

© UCLES 2012

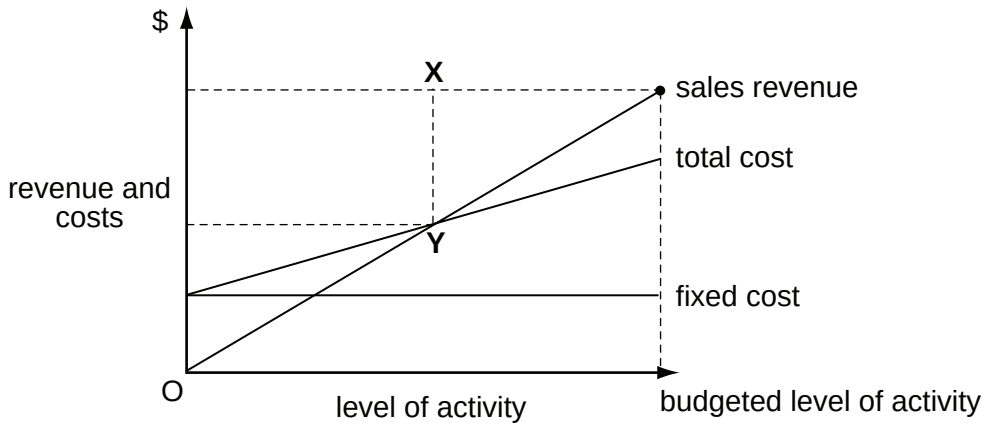
**26** The total cost of making product X is shown on the graph.




What is the variable cost per unit?

**A** $0.50 **B** $0.83 **C** $1.00 **D** $1.50

**27** The diagram shows a break-even chart.




What does line **XY** represent?

**A** the break-even point revenue

**B** the margin of safety in terms of revenue

**C** the profit at break-even point

**D** the total contribution at break-even point

**28** The budget for a product is shown.

| | |
|---|---|
| unit sales | 620 000 |
| | $ |
| selling price per unit | 31 |
| variable cost per unit | 16 |
| contribution per unit | 15 |
| fixed costs | $7 500 000 |

If the fixed costs rise to $7 800 000, the selling price is reduced to $29 per unit, and the variable cost remains unchanged at $16 per unit, the sales are likely to reach 660 000 units.

By what percentage will the break-even point increase?

**A** 4.0 % **B** 11.2 % **C** 16.7 % **D** 20.0 %

**29** When are the reported profits under marginal costing and absorption costing principles the same amount?

**A** when sales revenue exceeds cost of sales

**B** when units produced equals sales in units

**C** when units produced exceeds sales in units

**D** when unit sales exceeds production in units

**30** A business provides the following information.

| month | number of labour hours | overheads $ |
|---|---|---|
| May | 68 000 | 986 000 |
| June | 134 000 | 1 316 000 |

The variable overhead rate per labour hour was $5.

What was the monthly fixed overhead cost?

**A** $330 000 **B** $340 000 **C** $646 000 **D** $670 000

© UCLES 2012

**BLANK PAGE**

**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.

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

© UCLES 2012