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

ACCOUNTING **9706/13**

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)

7004098801

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.

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1 A business maintains a sales journal, a purchases journal, a cash book and a general journal.

Which items would be posted to the ledger accounts from the journal?

1 depreciation charge for the year

2 write off of a bad debt

3 discount allowed on settlement of a debt

4 interest on overdue accounts

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

2 A company's accounting year end is 31 December. It always pays its insurance premiums annually, in advance, on the due date, 1 September.

During the last few years the following premiums have been paid:

Year 1 $2400

Year 2 $2760

Year 3 $3840

What will be the charge for insurance in the company's income statement for Year 3?

A $2760 **B** $3120 **C** $3480 **D** $3840

3 A. Spender owns a road haulage business.

What would be classified as capital expenditure?

A number plates for new lorries

B replacement fuel pump for lorries

C replacement tyres for lorries

D road tax licence for new lorries

4 Which of these statements are correct?

1 A share premium account is classified as a reserve.

2 A revaluation reserve may be negative if a non-current asset decreases in value.

A 1 only

B 2 only

C both 1 and 2

D neither 1 nor 2

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5 Which statement is correct?

A Assets cannot be revalued by companies at all.

B Companies have to disclose their policy on revaluation in their accounts.

C Companies must carry out revaluations every year.

D Every asset in a particular class must be revalued by companies, not just one.

6 The following payments have been made for property rates.

		$
8 November 2011	paid rates for 6 months to 31 March 2012	1300
4 May 2012	paid rates for 6 months to 30 September 2012	1800

Which amount for rates is shown in the statement of financial position at 30 June 2012?

A accrual $900

B accrual $1800

C prepayment $900

D prepayment $1800

7 Which action is an application of the prudence principle?

A applying the same depreciation method each year

B excluding the owner's personal spending from the accounts

C making an allowance for debts which may go bad

D valuing assets on the assumption that the business will continue to trade

8 The table shows a bank reconciliation statement prepared as at 31 December.

	$
balance per bank statement	862 523
add outstanding lodgements	73 540
bank charges not entered in cash book	15 200
	951 263
less unpresented cheques	40 826
balance per cash book	910 437

Which amount will be included in the statement of financial position as at 31 December as cash at bank?

A $862 523 **B** $877 723 **C** $895 237 **D** $910 437

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9 A trial balance failed to balance and a suspense account was opened. It was discovered that the discount received column in the cash book, which totalled $180, had been posted to the debit side of the discount allowed account.

Which entry is made in the suspense account to correct this error?

A credit $180 **B** credit $360 **C** debit $180 **D** debit $360

10 What would **not** appear in a sales ledger control account?

A bad debts

B cash sales

C discounts allowed

D returns inwards

11 In whose accounts will the term 'prime cost' appear?

A a limited company running a retail business

B a partnership of accountants

C a sole trader manufacturing car components

D a sports and athletics club

12 A clothing retailer provides the following information for its three departments.

	Gentlemen	Ladies	Children
gross profit	$35 000	$42 500	$22 500
number of employees	3	3	2

The total overheads incurred by the retailer are $76 000 and these are apportioned to the departments on the basis of number of employees.

What is the net profit or loss made by the children's department?

A $3500 loss **B** $3500 profit **C** $6000 loss **D** $13 000 profit

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13 A company's income statement includes the following.

	$000
dividend	300
increase in inventory	200
overheads	400
ordinary goods purchased	800

If the net profit percentage is 20 %, what is the figure for revenue?

A $1 120 000 **B** $1 250 000 **C** $1 625 000 **D** $1 750 000

14 Which statement regarding partnerships, constituted under a partnership agreement, is always correct?

A Each partner is paid interest on capital.

B Each partner must introduce the same amount of capital.

C Each partner must share profits and losses equally.

D Each partner receives a salary only if set out in the agreement.

15 X and Y are in partnership, sharing profits and losses in the ratio of 2:1.

X had taken goods costing $1500 from the business for his own use. The goods had been treated as a sale and credited to the sales account at their normal selling price of $2400.

It was agreed that the goods should have been credited to the purchases account and not to sales and the records were corrected accordingly.

Which entries should be made in the partners' current accounts to make the correction?

	current accounts	
	X $	Y $
A	credit 300	debit 300
B	debit 600	debit 300
C	debit 1000	debit 500
D	debit 1600	debit 800

16 Details of a company's inventory are shown in the table.

	inventory item		
	X $	Y $	Z $
cost	500	600	800
selling expenses	100	200	300
sales value	700	700	700

Which figure for inventory should be shown in the accounts?

A $1400 **B** $1700 **C** $1800 **D** $1900

17 A business was started on 1 January. The purchases and sales of inventory for January were:

date	purchases	sales
4 January	3 @ $200	–
13 January	–	2 @ $400
26 January	3 @ $250	–
28 January	–	2 @ $400

The business used the first in first out (FIFO) method of inventory valuation.

What was the gross profit for January?

A $250 **B** $650 **C** $700 **D** $750

18 A business purchased a machine for $10 000 at the beginning of year 1.

The machine was depreciated using the reducing balance method at 30 % per year.

The business sold the machine after the end of year 2 for $5000.

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

A $100 loss **B** $100 profit **C** $1000 loss **D** $1000 profit

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19 The profits of Bronte Ltd are:

Year ended 31 December 2010	nil
Year ended 31 December 2011	$60 000

Bronte Ltd has in issue 200 000 5% preference shares of $1 each.

What is the profit available for distribution to ordinary shareholders for the year ended 31 December 2011, if the preference shares are (i) cumulative or (ii) non-cumulative?

	(i) Cumulative	(ii) Non - cumulative
A	$40 000	$40 000
B	$40 000	$50 000
C	$50 000	$40 000
D	$50 000	$50 000

20 Which statements about debentures and ordinary shares are correct?

	debentures	ordinary shares
A	can be issued at a premium	are never issued at a premium
B	holders are owners of a company	holders are creditors of a company
C	interest is a charge against profit	dividends are an appropriation of profit
D	interest varies from year to year	dividends are paid at the same rate each year

21 A company published the financial statements for the year ending 31 December 2011, an extract of which is detailed below.

	$
retained earnings at 1 January 2011	90 000
profit for year	10 000
retained earnings at 31 December 2011	100 000
share capital	20 000

What is the return on capital employed based on average capital?

A 8.70 % **B** 10.00 % **C** 11.11 % **D** 50.00 %

22 Which transactions would decrease short term liquidity, as measured by the liquid (acid test) ratio?

1 buying non-current assets for cash

2 buying inventory for cash

3 paying creditors using the bank overdraft

4 selling goods on credit

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

23 The following information relates to the financial statements of a business.

	$000
opening inventory	2 470
closing inventory	2 156
cost of sales for year	12 500
revenue for year	21 660

What was the inventory turnover in days?

A 39 **B** 63 **C** 68 **D** 72

24 A company has the following gross profit and net profit ratios for two years.

	year 1	year 2
gross profit %	26	29
net profit %	13	10

The company's turnover has remained unchanged for both years.

What is a correct interpretation of these ratios?

	cost of sales		overheads	
	increased	decreased	increased	decreased
A	✓	✗	✓	✗
B	✓	✗	✗	✓
C	✗	✓	✗	✓
D	✗	✓	✓	✗

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25 Which item is a variable production cost?

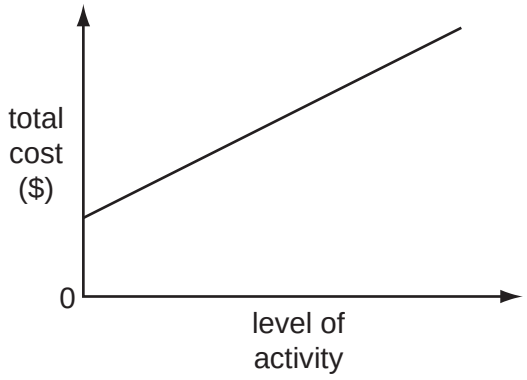
A cleaner's wages

B depreciation of equipment

C factory business rates

D purchases of raw materials

26 The diagram illustrates the cost behaviour of a typical telephone invoice.



Which term best describes the behaviour of this cost?

A fixed

B semi-variable

C stepped

D variable

27 'Contribution' is an important feature of marginal costing.

How can the total contribution from a given activity be calculated?

A total direct costs minus total profit

B total fixed costs plus total profit

C total sales minus total fixed costs

D total sales minus total profit

28 A business forecasts its margin of safety for the next month as 20 % of budgeted sales. It expects to sell 10 000 units in the month. The selling price per unit is $5 and the marginal cost is $3.50.

What is the forecast fixed cost?

A $12 000 **B** $12 500 **C** $15 000 **D** $18 000

29 What is the reason for overhead absorption in a manufacturing business?

A to control overhead expenditure

B to determine the net realisable value of inventory

C to enable overheads to be apportioned to cost centres

D to establish costs per unit of product

30 A business reports a profit using marginal costing of $75 000 for a month.

Opening inventory was 10 000 units and closing inventory 15 000 units.

The fixed production overhead absorption rate is $5 per unit.

What is the profit using absorption costing?

A $25 000 **B** $50 000 **C** $100 000 **D** $125 000

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