UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Advanced Level

ACCOUNTING **9706/33**

Paper 3 Multiple Choice **October/November 2012**

1 hour

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

* 0 7 3 2 1 6 6 1 7 5 *

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 X and Y are in partnership sharing profits and losses equally. They both decide to retire. Details of the realisation are shown in the table.

	book value $000	realised value $000
non-current assets	50	65
current assets excluding cash and bank	25	23
cash and bank balances	4	
current liabilities	18	14
costs of realisation	1	

How much profit is each entitled to on realisation?

A $6000 **B** $8000 **C** $10 000 **D** $12 000

2 The following information relates to a company's non-current assets.

	$
cost at the start of the year	160 000
cost at the end of the year	110 000
purchased during the year	nil
depreciation on non-current assets sold	30 000
profit on disposal	10 000

What were the proceeds from the sale of non-current assets?

A $10 000 **B** $20 000 **C** $30 000 **D** $50 000

3 X and Y are in partnership sharing the profits 2 : 1.

Z is admitted and the new profit sharing ratio is X(3), Y(2), Z(1).

Goodwill is valued at $12 000. No goodwill account is to be kept in the books.

Which net adjustment is required in X's capital account to record the changes?

A $2000 credit

B $2000 debit

C $6000 debit

D $8000 credit

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4 A company regularly pays a dividend. It has converted $50 m 10 % loan stock into ordinary shares.

Which row describes the effect of the conversion on its financial statements?

	dividend	interest	gearing
A	decrease	increase	decrease
B	decrease	increase	increase
C	increase	decrease	decrease
D	increase	decrease	increase

5 Which statement about bonus shares is correct?

A They may be issued as repayment of debentures.

B They may be issued at a premium.

C They may be issued to the holders of preference shares.

D They may be issued using the share premium account.

6 A company makes a 1 for 4 bonus issue of ordinary shares.

What will happen to share capital and shareholders' funds?

	share capital	shareholders' funds
A	increase	decrease
B	increase	increase
C	increase	no change
D	no change	increase

7 A company's capital reduction scheme is as follows.

1 reducing the $1.00 non-redeemable preference shares by $0.60.

2 reducing the $1.00 ordinary shares to shares of $0.05.

The statement of financial position of the company immediately before the approval of the scheme is shown below.

	$
non-redeemable preference shares	100 000
ordinary shares	400 000
	500 000
net assets	500 000

What will be the issued share capital after the capital reduction?

A $20 000 **B** $60 000 **C** $80 000 **D** $260 000

8 A company's statement of financial position at the start of the year is shown below.

	$
ordinary shares of $1.00	12 000
retained earnings	4 000

During the year, the company made a bonus issue of one share for every four held.

Immediately afterwards, the company made a rights issue at $1.60 of one share for every two held.

By how much did these transactions increase the company's bank balance?

A $9600 **B** $12 000 **C** $12 800 **D** $19 200

9 A company purchases a business with net assets of $110 000. In addition, the goodwill of the business is valued at $10 000.

The purchase price of the business is settled by the issue of 80 000 $1 ordinary shares in the company.

What will be the entry in the company's share premium account?

A credit $30 000

B debit $30 000

C credit $40 000

D debit $40 000

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10 A company purchases the business of a sole trader for $250 000. The fair value of the net assets is $230 000. The purchase price is made up as follows:

1 the issue of 80 000 ordinary shares of $1 each in the company, at a price of $2 each

2 the issue of $50 000 6 % debenture stock at par in the company

3 the balance of the purchase price in cash.

What is the amount of cash to be paid?

A $40 000 **B** $90 000 **C** $100 000 **D** $120 000

11 The following items appear in a company's statement of financial position.

	$000
goodwill	35
equipment, net book value	70
bank overdraft	17
loan repayable over 5 years	100
inventory	95
trade payables	54
three month deposit account	125

What is the figure for net current assets?

A $24 000 **B** $109 000 **C** $129 000 **D** $149 000

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12 A company's statement of financial position at 31 December 2010 included the following.

long-term liabilities	$
loan (repayable on 30 June 2012)	120 000
8 % debentures (2010-2013)	70 000

The company intends to redeem half the debentures on 31 December 2012 and the remainder on 1 June 2013.

How were these liabilities shown in the statement of financial position at 31 December 2011?

	current liabilities	$	non-current liabilities	$
A	debentures	35 000	loan debentures	120 000 35 000
B	debentures	70 000	loan	120 000
C	loan debentures	120 000 35 000	debentures	35 000
D	–		loan debentures	120 000 35 000

13 A company's financial statements show the following.

	$000
profit from operations	300
depreciation charges	80
increase in inventory	16
decrease in trade receivables	12
decrease in trade payables	10

What is the net cash from operating activities?

A $366 000 **B** $374 000 **C** $398 000 **D** $418 000

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14 At the start of the year, a company's total equity was as follows.

	$000
ordinary share capital	1000
share premium	100
general reserve	500
retained earnings	300
	1900

During the year, the following took place.

1 The company made a net profit attributable to equity holders of $120 000.

2 The company paid a dividend of $30 000.

3 The company proposed a final dividend of $40 000.

4 The company made a transfer of $60 000 to the general reserve.

What was the company's total equity at the end of the year?

A $1 890 000 **B** $1 950 000 **C** $1 990 000 **D** $2 050 000

15 The following relates to a business.

trade receivables turnover	26 days
trade payables turnover	34 days
rate of inventory turnover	11 times

What is the business's working capital cycle?

A 3 days **B** 25 days **C** 49 days **D** 71 days

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16 An extract from the final accounts of a company shows:

	$000	$000
profit from operations		200
interest payable		40
profit before tax		160
taxation		35
profit attributable to equity holders		125
dividends paid - preference shares	25	
- ordinary shares	50	75
retained earnings		50

What are the interest cover and the dividend cover?

	interest cover	dividend cover
A	4	2
B	4	2.5
C	5	2
D	5	2.5

17 The working capital cycle for a company was 55 days in 2011. This increased to 80 days for 2012.

Which statement explains this change?

A a decrease in the cash and cash equivalents

B a reduction in inventory values during 2012

C a reduction in trade receivables during 2012

D the company paid its suppliers more quickly in 2012

18 Under IAS37, a 'liability of uncertain timing or amount' is classed as what?

A contingent asset

B contingent liability

C liability

D provision

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19 The following information relates to the production data for a process.

details	kgs	$	finished units in kgs	work in progress in kgs
direct material	2000	6000	1800	200
direct labour		3800		
overheads		1900		

The work in progress is fully complete in respect of direct materials and 50 % complete in respect of direct labour and overheads.

What is the value of the work in progress?

A $570 **B** $600 **C** $900 **D** $1170

20 A company is reviewing its costs.

It discovers the following in respect of one of its expenses.

output in units	cost per unit $
6000	8.00
8000	7.50

Which type of cost is this an example of?

A fixed cost

B semi-variable cost

C stepped fixed cost

D variable cost

21 A company manufactures a single product. Each unit requires the following.

1 kg of material at $8 per kg

1 hour of direct labour at $10 per hour

The following information is available for the process in June.

direct material	$4000
direct labour	$4200
normal loss	50 units

How many units were completed?

A 370 **B** 420 **C** 450 **D** 500

22 A company has creditors valued at $100 000 and they are currently paid in 30 days. It is budgeting to increase this immediately by 40 % and increase the payment period to 60 days.

How much will this generate as a one-off cash saving for the business?

A $40 000 **B** $100 000 **C** $140 000 **D** $180 000

23 The table shows budgets for the next production period.

cost	1000 units	2000 units
	$	$
direct labour	3 400	6 800
direct material	17 000	34 000
production overhead	16 000	20 000

What would be the budgeted production cost of 1600 units?

A $48 640 **B** $51 040 **C** $52 640 **D** $58 240

24 A company had budgeted output of 245 000 units and budgeted fixed costs at $100 000.

Actual production and fixed costs were exactly as budgeted. The total expenditure of $450 000 was $50 000 over budget.

What was the budgeted variable cost per unit to the nearest cent?

A $1.22 **B** $1.43 **C** $1.63 **D** $1.84

25 The standard material cost for a product is 5 kilos at $5 per kilo. Last month 92 units were produced.

If the material usage was $100 adverse, how many kilos of material were used in the month?

A 440 kg **B** 460 kg **C** 480 kg **D** 500 kg

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26 A company uses standard costing and has the following budget and actual data available for a product in a period.

	budget	actual
production in units	30 000	28 000
material usage in kilograms	60 000	57 000
material cost	$120 000	$136 800

What were the material price and usage variances?

	price variance $	usage variance $
A	22 800 (A)	2000 (A)
B	22 800 (A)	2000 (F)
C	22 800 (F)	2000 (A)
D	22 800 (F)	2000 (F)

27 What may cause an adverse labour efficiency variance?

A higher production levels than in the original budget

B reduction in idle time

C using a less skilled grade of labour

D using newer, more efficient machinery

28 A company worked 8000 direct labour hours in a period at a standard cost of $6 per hour. This resulted in an adverse labour efficiency variance of $30 000.

What was the standard time taken for production?

A 3000 hours

B 5000 hours

C 8000 hours

D 13 000 hours

29 Which investment appraisal result will change if the total depreciation charge of the investment being considered changes?

A accounting rate of return

B internal rate of return

C net present value

D payback period

30 A company invests in a project which costs $300 000.

The project will return annual profits of $120 000 for the next 3 years, after allowing for annual depreciation of $15 000.

What is the payback period, assuming profits arise at the year end?

A 2 years **B** 2.22 years **C** 2.5 years **D** 3 years

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