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

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **October/November 2013**

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.
DO **NOT** WRITE IN ANY BARCODES.

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 non-current asset costs $250 000 and has a useful economic life of 25 years. The estimated residual value is $10 000.

Depreciation is provided on a straight line basis.

After 10 years the asset is sold for $120 000. Disposal costs of $20 000 are incurred.

What is the loss on disposal?

A $30 000 **B** $34 000 **C** $50 000 **D** $54 000

2 Goods that had previously been purchased on credit have been returned to the supplier.

How should this be recorded in the purchaser's books of account?

	account to be debited	account to be credited
A	bank	purchases returns
B	trade payable	bank
C	creditor	purchases returns
D	purchases returns	trade payable

3 On 1 January 2012 a business had prepaid rent of $50. During 2012, it made three rent payments of $250 each. On 31 December 2012, the business owed $200 rent for 2012.

The business owner only charged the rent payments made during 2012 in the income statement.

What is the effect on profit for the year?

A $200 overstated

B $200 understated

C $250 overstated

D $250 understated

4 A computer used for demonstration to customers was treated as capital expenditure.

The following year a customer purchased the computer in the ordinary course of business.

Which entries are needed to adjust the cost of sales?

	account to be debited	account to be credited
A	inventory	computers
B	purchases	computers
C	sales	inventory
D	selling expenses	sales

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5 The table shows information about a business.

	$
provision for doubtful debts at 1 January 2012	700
trade receivables at 31 December 2012 (after writing off a bad debt of $30)	15 000
charge to income statement for bad and doubtful debts for year ended 31 December 2012 (including the bad debt written off)	200

What is the total percentage provision that has been made for doubtful debts at 31 December 2012?

A 3.5% **B** 4.7% **C** 5.8% **D** 6.0%

6 The following information is extracted from the statement of financial position of a business.

	$
bank loan (repayable 2019)	16 200
bank loan interest owing	1 880
bank overdraft	11 600
capital	20 710
drawings	19 100
inventory	14 610
prepayments	1 420
trade payables	14 110
trade receivables	9 050

What is the value of the net current liabilities?

A $1590 **B** $2510 **C** $18 710 **D** $20 320

7 A business sells computers. When they value their inventory they exclude the value of the inventory that is over one year old, as they may be obsolete.

Which accounting principle does this demonstrate?

A going concern

B historical cost

C prudence

D realisation

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8 When preparing a bank reconciliation statement, the following information is available.

	$
bank balance shown by the cash book	20 000 debit
unpresented cheques	2 500
uncleared bankings	1 400
standing order shown on the bank statement (not in the cash book)	300

What is the balance on the bank statement?

A $18 600 **B** $19 200 **C** $20 800 **D** $21 400

9 The following financial information has been extracted from the books of account.

	$
bad debts written off	7 000
cash from credit customers	925 000
credit sales	900 000
opening trade receivables	300 000
discounts allowed	10 000
discounts received	25 000
increase in provision for doubtful debts	9 000
returns inwards	8 000
returns outwards	5 000

What is the closing balance on the sales ledger control account?

A $235 000 **B** $241 000 **C** $250 000 **D** $253 000

10 Discount received of $280 has been incorrectly posted to the credit of the discount allowed account.

Which entry must be made to the discount received account to correct the error?

A credit $280 **B** credit $560 **C** debit $280 **D** debit $560

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11 A trader provides the following financial information for the year.

	$
direct costs	210 000
indirect costs	55 000
increase in work in progress	7 000
raw materials taken for own use	2 000

Which figures should appear in the manufacturing account?

	prime cost $	overheads $	transfer to trading account of income statement $
A	208 000	55 000	256 000
B	208 000	55 000	270 000
C	210 000	53 000	256 000
D	210 000	53 000	270 000

12 Which item appears in a company's income statement?

A dividends

B inventory

C trade payables

D transfer to reserves

13 The table shows the following balances for a business.

	start of year $	end of year $
inventory	6 000	9 000
trade payables	8 000	10 000

Total payments to trade payables were $20 000.

What is the cost of sales for the year?

A $15 000 **B** $19 000 **C** $21 000 **D** $25 000

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14 X and Y are in partnership sharing residual profits and losses in the ratio 7 : 3.

Their fixed capital accounts have balances of X $40 000; Y $60 000. Interest is allowed on these at the rate of 10% per year.

X is paid a salary of $40 000 per year. Profit for the year was $200 000.

What was the division of profits between the partners?

	X $	Y $
A	137 000	63 000
B	140 000	60 000
C	149 000	51 000
D	152 000	48 000

15 X, Y and Z are in partnership, sharing profits, X 40%, Y 20% and Z 40%. Existing goodwill is shown in the ledger as $10 000.

The partners agree that the goodwill is now worth $40 000 and they agree to share future profits equally. They also agree that, in future, goodwill is not to appear in the ledger.

Which journal entry will record this change?

		debit $	credit $
A	X Y Z goodwill	1 334 7 333 1 333	 10 000
B	X Y Z goodwill	10 000 10 000 10 000	 30 000
C	X Y Z goodwill	12 000 6 000 12 000	 30 000
D	X Y Z goodwill	13 334 13 333 13 333	 40 000

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16 A trader provides the following information.

	$
opening inventory	6 000
closing inventory	4 000
purchases	15 000

He uses a uniform gross profit margin of 20%.

What was the sales figure for the trading period?

A $16 250 **B** $18 750 **C** $20 400 **D** $21 250

17 A club supplies refreshments for its members at a uniform gross profit margin of 30%. The following information is available.

	$
receipts	62 000
opening inventory	10 000
purchases	45 000

What is the value of closing inventory?

A $10 000 **B** $11 600 **C** $16 500 **D** $18 600

18 Y sells goods to X on credit. Details of X's account are as follows.

	$
trade discount	250
closing balance	750
opening balance	1500
payment received	2000
contra to purchases ledger	2500

What was the value of sales?

A $3500 **B** $3750 **C** $4000 **D** $5250

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19 The following information has been taken from the books of accounts of a limited company for the year ended 31 December 2012.

	$
bank loan interest for the year	1 650
bank overdraft interest for the year	2 150
ordinary dividends paid during the year	900
8% debenture taken out on 1 October 2012	30 000

What are the total finance costs in the income statement for the year ended 31 December 2012?

A $4400 **B** $4700 **C** $5300 **D** $6200

20 A company has 1 000 000 ordinary shares of $1 issued at $2.50. It also has a 5% debenture of $300 000.

Profit from operations for the year was $465 000.

The directors paid an 8% ordinary dividend during the year.

What is the retained profit for the year?

A $250 000 **B** $370 000 **C** $385 000 **D** $400 000

21 The following information was extracted from the books of a trader.

	$
revenue for the year	126 000
purchases for the year	87 000
opening inventory	9 000
closing inventory	12 000

What is the rate of inventory turnover?

A 4 times **B** 6 times **C** 8 times **D** 12 times

22 A company wishes to improve its current ratio and its liquid (acid test) ratio.

How can this be done?

A increasing discounts to trade receivables

B increasing the provision for doubtful debts

C purchasing additional inventory on credit

D selling non-current assets

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23 Which of the following measures a business' average credit period?

A current ratio

B inventory turnover

C liquid (acid test) ratio

D trade receivables turnover

24 Which expense would be classified as a variable cost of a furniture manufacturer?

A factory manager's salary

B plant depreciation

C royalties

D vehicle insurance

25 A company has the following annual costs.

	$
purchases of raw materials during the year	53 000
wages and salaries: production staff	110 000
administration staff	56 000
production overheads	16 000
administration expenses excluding wages	42 000
selling and distribution overheads	34 000

What is the total indirect cost for the year?

A $132 000 **B** $148 000 **C** $163 000 **D** $258 000

26 Which statement is correct?

A Fixed costs per unit decrease as production increases.

B Total fixed costs decrease as production increases.

C Total variable costs decrease as production increases.

D Variable costs per unit decrease as production increases.

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27 Which statements about absorption costing are correct?

1 It apportions overheads between production and service departments.

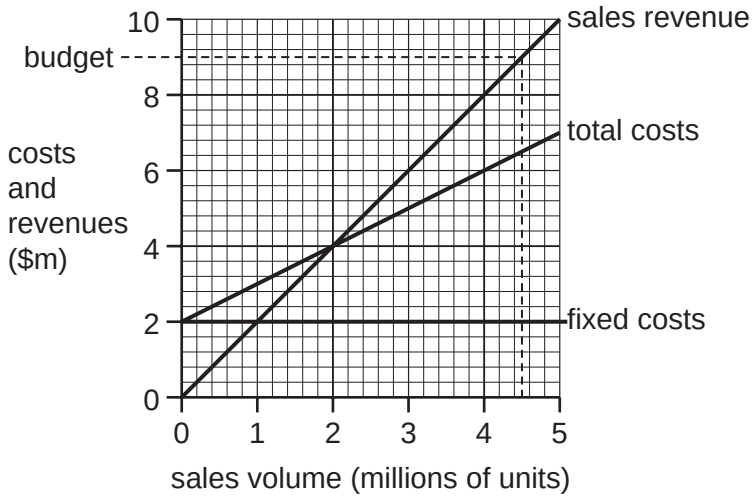
2 It enables a company to know its break-even level of production.

3 It leads to higher inventory valuations than marginal costing.

4 It is used by management for make or buy decisions.

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

28 An accountant prepared the following break-even chart.



The budgeted sales volume is 4.5 million units.

Which profit can be anticipated at this level?

A $2.5 million **B** $4.5 million **C** $7 million **D** $9 million

29 Which statement best describes job costing?

A a costing method that calculates the cost of meeting a specific customer order

B a costing method that calculates the cost of producing a number of identical units for a customer

C a costing method that enables overheads to be absorbed into the cost of the product

D a costing method that separates fixed costs from variable costs

30 Which item would appear in a cash budget?

A bad debts

B cash discounts

C depreciation

D loan repayments

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