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

ACCOUNTING **9706/12**

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)

1011372598

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 **11** printed pages and **1** blank page.

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1 The following information is taken from a trader's statement of financial position.

	$
non-current assets	80 000
capital at start of year	75 000
drawings	16 000
profit for the year	13 000
non-current liability	6 000
current assets	12 700

What is the amount of trade payables?

A $8700 **B** $11 700 **C** $14 700 **D** $26 700

2 A business wishes to create a new provision for doubtful debts.

Which effect will this have in the financial statements of the business?

	in the income statement	in the statement of financial position
A	increase profit	increase current assets
B	increase profit	reduce current liabilities
C	reduce profit	increase current liabilities
D	reduce profit	reduce current assets

3 Anna owns a plumbing business. Costs for the year were $49 500 for wages and $95 000 for materials. These included $2200 labour and $540 materials used by Anna in the extension of the business premises. Additional planning and legal costs of the extension were $450.

What was Anna's total revenue expenditure for the year?

A $141 310 **B** $141 760 **C** $142 300 **D** $144 500

4 A building cost $340 000. The accumulated depreciation on the building was $47 600. It was decided to revalue the building to its market value of $560 000.

What is the balance on the revaluation reserve?

A $172 400 **B** $220 000 **C** $267 600 **D** $512 400

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5 The table shows extracts from the statements of financial position of a business.

	2011 $	2012 $
non-current assets (at cost)	190 000	245 000
less accumulated depreciation	75 000	90 000
	115 000	155 000

Other information for the financial year 2012 is as follows.

	$
depreciation charged	40 000
new non-current assets purchased (at cost)	105 000
loss on sale of non-current assets	10 000

Which amount was received from the sales of the non-current assets?

A $15 000 **B** $25 000 **C** $30 000 **D** $35 000

6 An item can be converted easily into cash.

In which section of the statement of financial position would this item appear?

A capital

B current assets

C current liabilities

D non-current assets

7 A company's financial year ends on 31 December.

At 31 December Year 1 the company carried forward a debit balance of $36 200 on the rent account.

During Year 2 payments made for 12 months' rent, to 31 March Year 3, were $157 200.

What is the amount of rent to be charged in the income statement in Year 2?

A $121 000 **B** $154 100 **C** $160 300 **D** $193 400

8 A trader buys inventory costing $6000.

He is entitled to trade discount at 10% and cash discount of 5%.

On the same day he discovers that he can only sell the inventory for $5000.

Which amount should he record as the purchase price of the inventory?

A $5000 **B** $5130 **C** $5400 **D** $6000

9 A business is preparing a bank reconciliation and finds the following.

	$
unpresented cheques	3190
uncredited bankings	1949

The cash book has a debit balance of $5000.

Which adjustments should be made to the cash book balance to reconcile it to the bank statement?

A minus $3190, minus $1949

B minus $3190, plus $1949

C plus $3190, minus $1949

D plus $3190, plus $1949

10 A company's trial balance includes a suspense account. It was found that the only errors were discounts received of $240 and discounts allowed of $312, which had both been entered on the incorrect sides of the respective ledger accounts.

What is the double entry required to clear the suspense account balance?

	account	debit $	credit $
A	discounts allowed discounts received suspense	312	 240 72
B	discounts allowed discounts received suspense	624	 480 144
C	discounts received suspense discounts allowed	240 72	 312
D	discounts received suspense discounts allowed	480 144	 624

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11 During the month a company lost a quantity of inventory in a burglary. The table shows the company's results for the month.

	$
opening trading inventory, at cost	30 000
purchases	210 000
revenue	330 000
closing trading inventory, at cost	4 000

A gross profit on all sales of 30% has been achieved.

What was the cost of the inventory lost in the burglary?

A $4000 **B** $5000 **C** $9000 **D** $13 000

12 During the financial year a business receives $620 000 from its trade receivables after allowing cash discounts of $30 000.

At the start of the year trade receivables owed $47 000. At the end of the year trade receivables owed $40 000.

What was the amount of credit sales made during the year?

A $613 000 **B** $627 000 **C** $643 000 **D** $657 000

13 A business had a profit for the year of $450 000 before correcting the following errors.

1 Closing inventory was undervalued by $15 000.

2 Sales returns of $5000 had been recorded as purchases returns.

3 The charge for depreciation was overstated by $20 000.

What was the corrected profit?

A $435 000 **B** $445 000 **C** $475 000 **D** $495 000

14 The following departmental accounts have been prepared for a limited company for the year ended 30 September 2013.

	department X $	department Y $
revenue	810 000	515 000
cost of sales	470 000	265 000
gross profit	340 000	250 000
overheads	210 000	295 000
profit / (loss) for the year	130 000	(45 000)

The following errors have been found.

1 Department X overheads include $10 000 for the purchase of goods for resale of department X.

2 Revenue of $40 000 has been credited to department X when it should have been credited to department Y.

What is the corrected profit for the year for department X?

A $80 000 **B** $90 000 **C** $100 000 **D** $170 000

15 A company has the following expenses for the year.

	$
directors' salaries	140 000
depreciation of delivery vehicles	87 000
office salaries	90 000
loan interest	33 000
discounts allowed	12 000

What is the total of the administration overheads?

A $242 000 **B** $263 000 **C** $329 000 **D** $362 000

16 Which items appear in the manufacturing account of a business?

1 closing inventory of finished goods

2 closing inventory of work in progress

3 carriage inwards

4 carriage outwards

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

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17 X becomes a partner in a business receiving a 25% share in the profits. He pays in $60 000 as his capital. The goodwill of the business is valued at $40 000.

What is the balance on X's capital account, if goodwill is **not** included in the books?

A $20 000 **B** $50 000 **C** $60 000 **D** $70 000

18 A club has 190 members. The club charges an annual subscription of $240 per member.

At the start of the year, 11 members had paid their subscriptions for the current year in advance. At the end of the year, 8 members had paid their subscriptions for the next year in advance, but 3 members had not yet paid their current year subscriptions.

Which figures are recorded in the current year?

	income and expenditure account $	receipts and payments account $
A	44 160	45 600
B	45 600	44 160
C	45 600	41 760
D	41 760	45 600

19 The following financial information was provided at 31 December 2012.

	$
purchases	95 000
returns inwards	3 300
returns outwards	2 100
inventory withdrawn for personal use	5 000

Inventory on 31 December 2012 was valued at $1000 more than on 1 January 2012.

What was the cost of sales?

A $85 700 **B** $86 900 **C** $89 000 **D** $97 100

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20 A vehicle is sold for $1500. It cost $5000 and $3000 depreciation had been provided on it.

Which entry is needed to close the disposal account?

	debit	$	credit	$
A	disposal account	500	income statement	500
B	disposal account	3500	income statement	3500
C	income statement	500	disposal account	500
D	income statement	3500	disposal account	3500

21 A business is reviewing credit limits for its customers.

What would result in a customer's credit limit being reduced?

A Cash discounts are always taken by the customer.

B Sales have increased to that customer.

C The customer always pays their debt on time.

D The customer has lost a major contract.

22 The table shows extracts from the trial balance of a business at 31 December 2012.

	$
ordinary share capital	20 000
share premium	40 000
long-term loan (repayable 2022)	30 000
bank overdraft	60 000
4% non-redeemable preference share capital	50 000
7% debentures 2017	70 000

What is the total of non-current liabilities in the statement of financial position?

A $100 000 **B** $150 000 **C** $160 000 **D** $210 000

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23 The trade receivables turnover for a company was 100 days in 2011. This reduced to 90 days in 2012, with no change in the sales revenue.

Which statement explains this change?

A Credit customers are paying earlier.

B Credit customers are paying later.

C Credit suppliers are being paid earlier.

D Credit suppliers are being paid later.

24 A company provides the following information.

	$
trade payables at start of year	38 000
trade payables at end of year	49 000
payments to credit suppliers	210 000
cost of sales	250 000

What was the trade payables turnover?

A 72 days **B** 81 days **C** 86 days **D** 90 days

25 A company makes three products.

	contribution per unit $	contribution per hour $
product 1	14	2.1
product 2	13	2.6
product 3	8	2.4

Total available labour hours are insufficient to make enough of each product to meet demand.

In what order should the products be produced to maximise profit?

A 1, 2, 3 **B** 1, 3, 2 **C** 2, 3, 1 **D** 3, 2, 1

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26 The cost of using a mobile phone is made up of a monthly rental charge and the cost of individual phone calls.

What type of cost is this?

A fixed

B semi-variable

C stepped

D variable

27 A business sells its product for $10 per unit and has variable costs of $6 per unit. The table shows the fixed costs for the year.

	$
factory rent	30 000
other fixed costs	70 000

What is the break-even point?

A 10 000 units **B** 16 667 units **C** 17 500 units **D** 25 000 units

28 A company's financial information is as follows.

	$
selling price per unit	55
variable costs per unit	15
total fixed costs	33 000

If the selling price is reduced to $40, how many extra units need to be sold to break-even?

A 495 **B** 825 **C** 1320 **D** 2200

29 A company is asked to make a new machine for a customer. It provides the following estimates.

materials will cost $1100

labour will be 30 hours at a cost of $14 per hour

The company charges overheads at $10 per labour hour and has a mark up of 30% on total cost.

What is the price on the job cost sheet?

A $1520 **B** $1820 **C** $1976 **D** $2366

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30 Ted plans to buy a motor vehicle for $12 000 on 1 May 2014. He intends to pay half in cash at the time of purchase and to take out a loan at 6% interest a year to finance the balance. This will be repaid on 1 November 2014.

Which figures does Ted include in his cash budget for 2014?

	May $	November $
A	6 000	6 000
B	6 000	6 180
C	12 000	0
D	12 000	180

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