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

ACCOUNTING **9706/13**

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 **9** printed pages and **3** blank pages.

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1 A customer paid a deposit in advance for goods to be supplied at a later date.

How should this be recorded in the seller's books?

	debit	credit
A	cash	customer
B	cash	sales
C	customer	cash
D	customer	sales

2 A company calculates a draft profit for the year of $98 000. This includes the profit margin of $3000 on goods sold on credit but not yet paid for. It also includes $500 profit taken on goods sold to a customer on a sale or return basis.

What is the correct gross profit?

A $94 500 **B** $95 000 **C** $97 500 **D** $98 000

3 A trader provides the following information.

	$
prepaid rates at 1 October 2012	400
rent and rates paid during the year	16 200
accrued rates at 30 September 2013	600
prepaid rent at 30 September 2013	1 200

Which charge for rent and rates appears in the income statement for the year ended 30 September 2013?

A $15 200 **B** $16 000 **C** $16 400 **D** $17 200

4 A business wishes to record the following transactions in its books of account.

contra between sales ledger control account and purchases ledger control account

depreciation charge for the year

increase in provision for doubtful debts

purchase of non-current asset on credit

How many transactions require an entry in the general journal?

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

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5 At the beginning of the year a company has a provision for doubtful debts of $1000. At the end of the year the required provision is $2500. During the year debts of $1500 are written off and $100 is received in respect of a debt written off many years ago.

What is the net amount charged to the income statement for bad and doubtful debts?

A $1500 **B** $2500 **C** $2900 **D** $3000

6 What would be treated as part of the capital cost of the purchase of a building?

1 legal costs of the purchase

2 redecoration of the building

3 installation of air conditioning needed for the machinery in the building

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

7 Ryan purchased a van for $16 000 on 31 December 2010. It is his policy to apply 25% per annum reducing balance depreciation for each part of the year the asset is held. Ryan traded the vehicle in on 1 July 2013 for a $6150 reduction on the cost of a new vehicle.

What was the profit or loss made on the disposal of the van?

A $600 loss **B** $1725 loss **C** $150 profit **D** $2150 profit

8 On 30 September 2012 a manufacturer's current assets totalled $28 000. The next day, only two transactions took place.

1 Inventory was bought for cash. The price of $2000 was subject to a trade discount of 20% and a cash discount of 5%. Payment was made immediately.

2 A bad debt of $400 was written off.

What was the total of current assets on 2 October 2012?

A $27 680 **B** $28 080 **C** $29 520 **D** $29 600

9 The table shows information from the books of a business at 30 April 2013.

details	$
credit sales invoiced during financial year	79 000
goods sent to customers on 28 April 2013 and invoiced 4 May 2013	6 100
goods sent to customers during April 2013 on sale or return basis but not sold by 30 April 2013	8 300

What is the value of sales for the year ended 30 April 2013?

A $76 800 **B** $85 100 **C** $87 300 **D** $93 400

10 The following information relates to a company's non-current assets at 31 December.

	cost price $	disposal value $
motor vehicles	25 000	18 000
equipment	48 000	36 000
fixtures and fittings	12 000	5 000

The company has a serious cash shortage and will cease to trade within the next two months.

What is the total value for non-current assets in the company's statement of financial position at 31 December?

A $26 000 **B** $59 000 **C** $85 000 **D** $144 000

11 Which statements about a bank reconciliation are correct?

1 Cleared cheques are excluded.

2 It can be computerised.

3 It locates all errors.

4 Uncredited deposits are included.

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

12 A trial balance does not balance and a suspense account is opened.

On investigation, the following errors are found.

1 The debit balance of $450 on the carriage outwards account has been brought down as $540.

2 The purchases returns journal has been overcast by $100.

3 A cheque for $50 received from Alan Green has been posted to the credit account of Brian Green.

4 Rent received of $350 has been posted to the debit of rent paid account.

What is the opening balance on the suspense account?

A credit $690 **B** credit $740 **C** debit $690 **D** debit $740

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13 In reconciling the sales ledger control account with the balances in the sales ledger, it was noticed that there was an error in the sales journal. This had been overcast by $740. In addition, the total receipts from customers of $940 were recorded in the control account as $490.

Which correcting entry must be made?

	control account	list of balances
A	$290 credit	increase by $290
B	$290 debit	no effect
C	$1190 credit	decrease by $1190
D	$1190 credit	no effect

14 Which error would give rise to a difference in a trial balance?

A bringing forward an opening balance of $9590 instead of $9950

B debiting interest paid in the cash book and crediting it to 'interest received' account

C debiting 'repair to motor vehicles' account with $11 250 for a new motor vehicle

D entering the sale of an item for $300 in the books as $3000

15 Which group of items are included in the prime cost?

A inventories of finished goods, purchases of raw materials, direct wages

B inventories of raw materials, purchases of raw materials, direct wages

C inventories of raw materials, purchases of raw materials, indirect wages

D inventories of work in progress, purchases of raw materials, indirect wages

16 A business provides the following information for the year.

	$
prime cost	165 000
factory overheads	43 000
opening work in progress	6 000
closing work in progress	15 000

What is the cost of goods transferred to the trading account of the income statement?

A $113 000 **B** $199 000 **C** $208 000 **D** $217 000

17 Which statement about goodwill is correct?

A Internally generated goodwill should be omitted from the statement of financial position.

B Purchased goodwill should be classed as a tangible non-current asset.

C Purchased goodwill should be omitted from the statement of financial position.

D The value of goodwill should never be included in the statement of financial position.

18 W, X, Y and Z are in partnership.

What would be shown in the partnership appropriation account?

A drawings made by W

B goods taken for the personal use of Y

C interest on a loan made by Z

D interest on drawings made by X

19 A trader uses the revaluation method of depreciation for loose tools.

On 1 January loose tools were valued at $4620 and on 31 December at $5740. During the year $2010 was spent on purchasing new loose tools.

Which amount was charged to the income statement?

A $890 **B** $1120 **C** $2010 **D** $3130

20 What is the reason for providing depreciation on non-current assets?

A to provide sufficient funds to replace the non-current assets

B to show the assets at replacement cost on the statement of financial position

C to show the fall in value of the assets in the income statement

D to spread the cost of the assets over their estimated useful lives

21 When is a share premium account opened?

A when shares are issued at a price above nominal value

B when shares are issued at a price below nominal value

C when shares are sold by a shareholder at a price above their nominal value

D when shares are sold by a shareholder at a price below their nominal value

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22 On 1 May, a trader lost all of his inventory in a fire. He has figures for sales and purchases and wishes to calculate the value of the inventory lost.

Which ratio should he use?

A gross profit percentage

B net profit percentage

C trade payables turnover

D trade receivables turnover

23 The following information is available about two similar businesses.

	X	Y
sales	$30 000	$35 000
gross profit percentage	60%	62%
net profit percentage	30%	8%

Which business is better at controlling its costs?

	cost of sales	expenses
A	X	X
B	X	Y
C	Y	X
D	Y	Y

24 A business has a non-current asset turnover of two times, based on non-current assets valued at $250 000 at the end of 2011. The company uses the reducing balance method to depreciate its non-current assets at 25% per annum.

In 2012 sales revenue increased by 20%. There were no purchases or disposals of non-current assets during the year.

What is the non-current asset turnover for 2012?

A 2.13 times **B** 2.40 times **C** 2.67 times **D** 3.20 times

25 Which cost will fall as production is reduced?

A fixed costs per unit

B total fixed costs

C total variable costs

D variable costs per unit

26 A company makes and sells one product incurring the following costs.

12 kilos of material at $3 per kilo

4.5 labour hours at $12 per hour

production overheads $6 per unit

selling overheads $5 per unit

What is the total direct cost per unit?

A $36 **B** $42 **C** $90 **D** $101

27 A company receives an order for 10 000 units.

The following information is available.

units produced per machine hour	500
labour costs per machine hour	$25
raw material cost per unit	$2
overheads recovered per machine hour	$40

What is the cost of production?

A $11 300 **B** $21 300 **C** $33 500 **D** $52 500

28 The costs of a company that annually sells 10 000 units are as follows.

	$
direct material	50 000
assembly labour	100 000
factory overheads	70 000

The normal selling price of each unit is $50.

If it was reduced to $35, how many more units need to be sold to break-even?

A 1500 units **B** 2000 units **C** 3500 units **D** 5000 units

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29 A company manufactures four products.

	Gamma	Rho	Theta	Zeta
contribution per unit ($)	10	12	14	16
material required (litres)	5	4	6	7

If there is only enough material to make three of the products, which product should be discontinued?

A Gamma

B Rho

C Theta

D Zeta

30 Sales for January 2014 are expected to be $10 000 and these are expected to increase by $2000 each month. 10% of sales will be cash sales. Credit customers are expected to pay after one month.

Which amount will be shown in the cash budget for receipts from customers in March 2014?

A $12 000 **B** $12 200 **C** $13 800 **D** $14 000

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