Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **October/November 2014**

1 hour

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

* 4 6 9 4 0 5 1 0 6 9 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, 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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[Turn over

1 A non-current liability has been included as a current liability.

What will be the effect when this is corrected?

A increase net assets

B increase net current assets

C no effect on net current assets

D reduce net current assets

2 A business purchases a new van.

The table shows the purchase invoice details.

	$
purchase price	13 000
delivery charge	500
sign writing	200
road tax	200
tank of fuel	50

How much should be debited to the motor van account?

A $13 500 **B** $13 700 **C** $13 900 **D** $13 950

3 In preparing the financial statements, an accrual for rent payable was treated as a prepayment.

What effect does this have on the profit and the current liabilities?

	profit	current liabilities
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

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4 The following information is available for a business.

	$
trade receivables at 1 January	63 000
provision for doubtful debts at 1 January	1 890
total credit sales for January	327 000
cash from customers after 4% settlement discount	324 000

A provision for doubtful debts of 2% is to be made.

What adjustment is required in the income statement?

A $570 credit

B $570 debit

C $840 credit

D $840 debit

5 The following information relates to non-current assets.

	$
net book value at 1 January 2013	20 000
net book value at 31 December 2013	18 000
receipts from disposals	3 500
assets bought	9 700
loss on sale	650

What is the depreciation charge for the year?

A $3550 **B** $4200 **C** $7550 **D** $8200

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6 The table shows information from a sales ledger control account.

	$
opening balances	260 497
closing balances	286 190
cash received	581 640
irrecoverable debts	33 200
contra entries	17 310

What is the credit sales figure?

A $556 823 **B** $591 443 **C** $623 223 **D** $657 843

7 Where would the difference between the total debits and the total credits in a trial balance be recorded?

A a control account

B a suspense account

C the general journal

D the income statement

8 The table shows extracts from a business's bank reconciliation.

	$
balance per cash book at 31 December	2075
balance per bank statement at 31 December	2250
bank charges per bank statement not entered in cash book	150
outstanding cheques not presented at the year end	325

What is the bank balance to be shown in the financial statements?

A $1600 **B** $1925 **C** $2075 **D** $2225

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9 During the past month, a business lost some inventory because of theft. The table shows the trading results for the month.

	$
opening inventory, at cost	50 000
purchases	220 000
sales	300 000
closing inventory, at cost	16 000

The mark up is 25%.

What was the cost price of the stolen inventory?

A $14 000 **B** $16 000 **C** $29 000 **D** $34 000

10 Frank and George have been in partnership for a number of years, sharing profits and losses in the ratio 2 : 1. They decide to admit Harry into the partnership. The new profit and loss sharing ratio between Frank, George and Harry will be 3 : 2 : 1.

Goodwill is to be valued but will not remain in the books of account.

How does the introduction of Harry to the partnership affect the capital accounts of Frank and George?

	Frank capital account	George capital account
A	increase	decrease
B	increase	no change
C	no change	increase
D	no change	no change

11 Which item will **not** appear in the income statement of a sole trader?

A accounting charges

B bank loan interest

C director's fee

D hire charge for leased machinery

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12 What is **not** part of a company's equity?

A debentures

B ordinary share capital

C retained earnings

D share premium

13 In departmental accounts, which overhead might be apportioned according to floor space?

A advertising

B depreciation of machinery

C office wages

D rent

14 A manufacturer provides the following information.

	$
total rent	50 000
factory heat and light	8 000
carriage inwards	2 000
carriage outwards	3 000
indirect labour	60 000
total factory overheads	98 000

Which proportion of rent relates to the factory?

A 50% **B** 54% **C** 56% **D** 60%

15 Partnership capitals are $60 000 for X and $90 000 for Y. The partnership agreement provides for interest on capitals at 10% per annum, but makes no other financial provisions.

Profits for the current year total $75 000.

How will the total profits be divided between the partners?

	X $	Y $
A	30 000	45 000
B	36 000	39 000
C	37 500	37 500
D	39 000	36 000

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16 The following is an extract from the statement of financial position for a company at 31 December 2012.

	cost $	depreciation $	net book value $
non-current assets	250 000	95 000	155 000

The assets have a residual scrap value of $12 500.

Depreciation policy is provided using the reducing balance method at a rate of 25% per annum.

What is the depreciation charge for the year ended 31 December 2013?

A $35 625 **B** $38 750 **C** $59 375 **D** $62 500

17 The following financial information is available.

	$
inventory at 1 January 2013	800
inventory at 31 December 2013	1 010
ordinary goods purchased	9 260
carriage inwards	130
revenue	18 000
discount received	700
other costs	3 880

What are the values of gross profit and profit for the year?

	gross profit $	profit for the year $
A	8820	4240
B	8820	5640
C	9080	5900
D	9520	5640

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18 Z is admitted as a new partner in the partnership of X and Y. He brings the following into the business.

	$
cash	20 000
inventory	6 000
vehicle	11 000

Interest on capital is calculated at 10% per annum. There is no goodwill on Z's admission.

What will be Z's interest on capital?

A $1700 **B** $2000 **C** $3100 **D** $3700

19 Radis Limited pays dividends on ordinary shares in the range of 8% to 12% each year.

The current dividend is $20 000. The directors do not wish to increase this by more than 25% in the coming year.

There are currently 400 000 ordinary shares of $0.50 each in issue. The company now wishes to issue more shares.

What is the maximum number of shares it can issue while keeping its dividend in the usual range?

A 8333 shares

B 16 667 shares

C 12 500 shares

D 225 000 shares

20 Why are debentures usually secured on a company's assets?

A so that debenture holders can be certain of receiving their interest

B so that debenture holders can receive the profits earned by the use of those assets

C to enable debenture holders to get their money back if the business is sold

D to entitle debenture holders to vote at the Annual General Meeting

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21 A business has $10 000 in the bank and buys inventory for $6000 paying by cheque.

What is the effect of this on its current ratio and quick (acid test) ratio?

	current ratio	quick (acid test) ratio
A	decrease	increase
B	decrease	no effect
C	no effect	decrease
D	no effect	no effect

22 A supplier wishes to see the financial statements of a customer to help decide whether to continue trading with him.

Which figure would be most useful in making that decision?

A closing inventory

B inventory turnover

C trade payables turnover

D trade receivables turnover

23 A business increased its sales revenue by 50% in one year whilst its cost of sales has increased by 60% over the same period.

What is the explanation for the change in profit margin?

A an increase in marketing expenses

B an increase in sales price

C an increase in sales volume

D an increase in supplier price

24 A business has a year end of 31 December. It expects to achieve sales in 2014 of $450 000. On 31 December 2013 its non-current assets were $306 000. On 1 July 2014 it purchased new machinery at a cost of $180 000, in order to increase its sales by an extra $20 000 each month.

What is the expected rate of non-current asset turnover in 2014? (Ignore depreciation.)

A 1.17 times

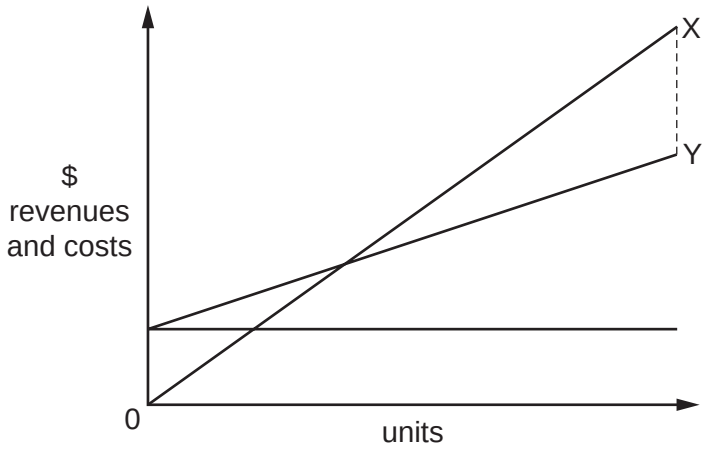
B 1.42 times

C 1.44 times

D 1.74 times

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25 What does the line between points X and Y on the break-even chart represent?



A total costs

B total gross profit

C total profit for the year

D total variable costs

26 Extracts from the costing records of a builder who has completed two houses are shown.

	$
building inspection fees	2 000
land (four plots)	100 000
labour	160 000
materials used	40 000

What is the cost of completing one house?

A $125 000 **B** $126 000 **C** $127 000 **D** $151 000

27 Which item needs to be increased to make a break-even point fall?

A budgeted sales

B fixed costs

C marginal costs

D selling prices

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28 A business provides the following information about a product.

	$
variable cost per unit	16
selling price per unit	30
total fixed costs	35 000
budgeted profit	95 000

How many units should it produce to achieve the budgeted profit?

A 4286 **B** 4334 **C** 6786 **D** 9286

29 The following information is available for a manufacturing company for June 2014.

budgeted overheads	$108 000
actual overheads	$112 000
budgeted labour hours	24 000
actual labour hours	23 000

What is the over or under absorption of overheads for June 2014?

A $4000 over absorbed

B $4000 under absorbed

C $8500 over absorbed

D $8500 under absorbed

30 A business provides the following information for July.

	$
budgeted bank overdraft at 1 July	12 000
total receipts banked	250 000
total cheque payments	195 000
depreciation of non-current assets	20 000

What is the budgeted bank balance at 31 July?

A $23 000 **B** $43 000 **C** $67 000 **D** $87 000

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