Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/33**

Paper 3 Multiple Choice **October/November 2015**

1 hour

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

* 1 8 2 1 3 6 1 9 1 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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1 What decreases the net cash inflow from operating activities?

A decrease in inventory

B increase in trade payables

C increase in trade receivables

D repayment of loan

2 The following information is available about the non-current assets of a limited company.

	$
opening net book value	145 800
purchase of asset at cost	76 750
sale proceeds of asset disposed	19 500
loss on disposal of asset	3 600
closing net book value	172 900

Which value for depreciation is included in the statement of cash flows?

A $26 550 **B** $30 150 **C** $33 750 **D** $46 050

3 A company calculates factory profit at a mark up of 20% on the cost of production. The following information is available.

	$
inventory of finished goods at cost at 31 December 2013	30 000
cost of goods produced for the year to 31 December 2014	240 000
closing inventory of finished goods at cost plus factory profit at 31 December 2014	54 000

How was the change in the provision for unrealised profit shown in the income statement for the year ended 31 December 2014?

A $3000 expense

B $3000 income

C $4000 expense

D $4000 income

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4 Which transaction causes a flow of cash into the business?

A a redemption of debentures

B a re-purchase of its shares by a company

C a rights issue of ordinary shares

D an issue of bonus shares

5 Who needs to consent to a new partner being introduced into an existing partnership?

A all of the partners

B majority of the partners

C none of the partners

D one of the partners

6 X and Y were in partnership sharing profits and losses in the ratio of 2 : 1.

They agreed to dissolve their partnership.

At 30 September, their capitals were X $172 000 and Y $99 500.

During October they made a trading profit of $19 500, before selling all their net assets for $285 000, less legal costs of $3000.

How much does each partner receive on the dissolution?

	X $	Y $
A	166 000	96 500
B	179 000	103 000
C	183 000	105 000
D	191 000	109 000

7 Two limited companies have the following financial information.

	X Limited $000	Y Limited $000
ordinary share capital	800	600
10% debentures	550	250

Who would experience the greatest degree of risk in times of falling profits?

A debenture holders in X Limited

B debenture holders in Y Limited

C ordinary shareholders in X Limited

D ordinary shareholders in Y Limited

8 The capital employed of a company at 1 January was $150 000.

During the year, the following took place.

1 There was an issue of 10 000 $1 ordinary shares at par.

2 A revaluation surplus of $4000 was recognised.

3 A $20 500 debenture loan was redeemed at par.

What was the company's capital employed after these events?

A $139 500 **B** $143 500 **C** $160 000 **D** $164 000

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9 The statement of financial position of a company shows the following balances.

	$
ordinary shares of $1 each	90 000
share premium	4 000
retained earnings	33 000

The company wishes to purchase 40 000 of its ordinary shares at a premium of 5%.

It will issue 20 000 ordinary shares at par to help finance the purchase.

What will be the balances after these transactions have taken place?

	ordinary shares $	capital redemption reserve $	share premium $	retained earnings $
A	70 000	20 000	2 000	13 000
B	70 000	22 000	4 000	11 000
C	90 000	–	2 000	13 000
D	90 000	20 000	4 000	33 000

10 A sole trader sold his business to a limited company. His net assets had a book value of $150 000 and a fair value of $200 000.

The consideration for the sale was satisfied by the issue of 90 000 shares of $1 each at an agreed value of $2.50 each. He also received a cash payment of $35 000.

What amount did the company pay for goodwill?

A $25 000 **B** $50 000 **C** $60 000 **D** $110 000

11 A company's statement of financial position includes the following extract.

	$
ordinary shares of $1 each	2 000 000
share premium	2 000 000
general reserve	400 000
retained earnings	1 000 000

What is the maximum number of bonus shares that may legally be issued?

A 1 400 000 **B** 2 400 000 **C** 3 000 000 **D** 3 400 000

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12 Which expense is **not** considered as finance cost in the income statement?

A debenture interest

B dividend on ordinary shares

C dividend on redeemable preference shares

D loan interest

13 The income statement of a company shows the following items.

	$000
gross profit	80
distribution and administrative expenses	45
finance income	5
finance costs	10
loss on sale of non-current asset	8
taxation	12

What is the profit from operations shown in the financial statements?

A $10 000 **B** $20 000 **C** $27 000 **D** $35 000

14 What describes the expected accounting treatment of positive purchased goodwill?

A retain as an intangible asset at cost

B write off against reserves immediately after purchase

C write off over useful economic life against capital reserves

D write off over useful economic life in the income statement

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15 A company has the following working capital information.

	days
inventory turnover	52
trade receivables turnover	56
trade payables turnover	48

What is the company's working capital cycle?

A 44 days

B 60 days

C 108 days

D 156 days

16 A company provided the following information.

	$000
long-term bank loan	500
ordinary shares of $1 each	600
revaluation reserve	100
retained earnings	300

It then made a rights issue of one share for every six held, at a premium of $1 per share. It used the full proceeds to repay part of the loan.

What is the gearing ratio after these transactions?

A 20% **B** 25% **C** 26.7% **D** 33.3%

17 The following information is available for a limited company at the end of its financial year.

ordinary shares of $0.50 each	$50 000
dividend yield	5%
market price of one ordinary share	$4.00

After transferring $12 000 to the general reserve, the directors paid all the remaining profit for the year as dividends.

What were the earnings per share?

A $0.20 **B** $0.32 **C** $0.40 **D** $0.64

18 The following information is available for a company at the end of its financial year.

share capital 200 000 shares of $0.50 each	
market price per share	$2.50
price earnings ratio	10

The directors have transferred $5000 to the general reserve.

What was the profit for the year?

A $25 000 **B** $30 000 **C** $50 000 **D** $55 000

19 A company's financial year ended on 31 December 2014. The financial statements for that period were approved in May 2015.

Which event would be treated as an adjusting event?

A disruption to the company's operations in March 2015 leading to a loss of profits

B the announcement, during January 2015, of a sale of part of the business

C the receipt in April 2015 of a valuation report indicating at that date that a non-current asset suffered an impairment loss

D the sale in January 2015 of inventory, purchased in 2014, at a loss

20 The following information is available for a non-current asset.

	$
original asset cost	120 000
accumulated depreciation to date	40 000
estimated selling price	74 000
estimated value in use	65 000
cost of disposal of the asset	5 000

What is the impairment loss?

A $1000 **B** $6000 **C** $11 000 **D** $15 000

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21 What could cause an over absorption of overhead expenditure?

1 units produced exceeding the budgeted production

2 units produced being less than the budgeted production

3 overhead expenditure being less than budget

4 overhead expenditure exceeding budget

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

22 A company has two production processes. There is no work in progress in process 1 but there is a normal loss.

Which items appear on the credit side of the process 1 account?

1 costs of direct materials and direct labour

2 overheads

3 proceeds of sale of scrap

4 value of items transferred to process 2

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

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

details	kilos	$	finished units in kilos	work in progress in kilos
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

24 A company wishes to prepare its budgets for next year. Demand for its product is a limiting factor.

Which budget should it prepare first?

A cash

B production

C purchases

D sales

25 A business makes a single product. Budgeted data for next month is as follows.

raw materials per unit	2 kilos
budgeted sales	5000 units
budgeted decrease in inventory of raw materials	1000 kilos
budgeted increase in inventory of finished goods	700 units

What are the budgeted purchases of raw materials for next month?

A 7600 kilos **B** 9600 kilos **C** 10 400 kilos **D** 12 400 kilos

26 A company uses a standard costing system.

What will give an adverse labour rate variance?

A Basic wage rates were increased less than the budgeted amount.

B Basic wage rates were increased more than the budgeted amount.

C Fewer hours were worked than the budget.

D More hours were worked than the budget.

27 A business has the following variances.

	$
sales volume	6540 adverse
materials usage	3100 favourable
materials price	7684 adverse
labour efficiency	2300 favourable

The budgeted profit was $56 790.

What is the actual profit?

A $47 966 **B** $50 246 **C** $61 046 **D** $65 614

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28 A company has a budgeted materials cost of $62 500 for producing 25 000 units each month.

Actual materials cost in the month was $68 000 for 26 500 units. The material usage variance was nil.

What was the materials price variance?

A $1750 adverse

B $1750 favourable

C $5500 adverse

D $5500 favourable

29 When using sensitivity analysis, which item is **not** a factor that would affect the investment decision?

A cost of capital

B depreciation

C initial cost

D sales volume

30 A business is operating under conditions of capital rationing and is considering investing in the following projects.

project	investment $	NPV $
X	500 000	80 000
Y	400 000	72 000
Z	450 000	67 500

In order to maximise the overall value of the business how should these three projects be ranked?

A $X \rightarrow Y \rightarrow Z$

B $X \rightarrow Z \rightarrow Y$

C $Y \rightarrow X \rightarrow Z$

D $Z \rightarrow Y \rightarrow X$

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