Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **October/November 2016**

1 hour

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

7793165365

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 Which item is entered in the general journal?

A A cash discount given to a customer

B The correction of an error made in the ledger

C The sale of an asset for cash

D The withdrawal of cash for private use by the owner

2 A calculator costs $9.50 and has a useful life of 5 years. The book-keeper has decided to treat the purchase of the calculator as revenue expenditure.

Which accounting principle has been applied?

A accruals

B materiality

C prudence

D substance over form

3 A vehicle was part exchanged for a new vehicle.

Which entries record the part exchange?

	account debited	account credited
A	cash	motor vehicles at cost
B	disposal	motor vehicles at cost
C	motor vehicles at cost	cash
D	motor vehicles at cost	disposal

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4 On 1 January Ann owed Sam $400. She paid the amount due on 6 January after deducting a 2% cash discount.

How did Ann record this?

	account debited		account credited	
A	bank	392	Sam	400
	discount allowed	8		
B	bank	392	Sam	400
	discount received	8		
C	Sam	400	bank	392
			discount allowed	8
D	Sam	400	bank	392
			discount received	8

5 Why are non-current assets depreciated?

A to ensure that funds exist for asset replacement

B to show a reduction in the market values of non-current assets

C to show non-current assets at replacement cost in the statement of financial position

D to spread the cost of non-current assets over their useful lives

6 A company received the bank statement dated 30 June 2016 showing a credit balance of $6890. The cash book on this date had a debit balance of $7234. The following was discovered.

Bank charges of $54 have not been entered in the cash book.

Suppliers have not banked cheques of $200.

Deposits of $490 made to the bank on 30 June 2016 have not been shown on the bank statement.

What is the value of bank in the statement of financial position?

A $6600 **B** $6654 **C** $7126 **D** $7180

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7 A trial balance includes a suspense account.

The following errors are found.

1 A payment for the telephone bill for $75 has been entered correctly in the bank account but as $750 in the telephone account.

2 A payment from a customer for $175 has been entered correctly in the bank account but omitted from the sales ledger control account (SLCA) which forms part of the double entry system.

Which journal entry corrects these errors?

		Debit $	Credit $
A	suspense		850
	telephone	675	
	SLCA	175	
B	suspense	850	
	telephone		675
	SLCA		175
C	suspense	500	
	telephone		675
	SLCA	175	
D	suspense		500
	telephone	675	
	SLCA		175

8 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 profit after correcting these errors?

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

9 A company pays rates annually in advance on 1 April each year. $4000 is paid on 1 April 2014 and $4800 on 1 April 2015. The company's accounting year end is 31 December.

What is the charge for rates in the 2015 income statement?

A $4000 **B** $4200 **C** $4600 **D** $4800

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10 A business has calculated inventory turnover ratio as 8 times.

Opening inventory was $25 000 and closing inventory was $28 000.

What is the value of purchases?

A $209 000 **B** $215 000 **C** $221 000 **D** $227 000

11 The following information is available from the financial records of a trader.

	$
capital at 1 January 2015	65 000
capital introduced on 30 June 2015	20 000
drawings for the year ended 31 December 2015	35 000
capital at 31 December 2015	90 000

What was the profit for the year ended 31 December 2015?

A $10 000 **B** $30 000 **C** $35 000 **D** $40 000

12 Draft financial statements showed the following:

	$
profit for the year	18 700
total current assets	41 200
total current liabilities	36 050

It was then decided to create a provision for doubtful debts of $2100.

Which figures were shown in the final financial statements?

	profit for the year $	current assets $	current liabilities $
A	16 600	39 100	36 050
B	16 600	41 200	33 950
C	20 800	41 200	38 150
D	20 800	43 300	36 050

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13 A book-keeper reconciles the control accounts with the sales and purchase ledgers.

Which errors are identified in this way?

1 A figure was transposed when copied from a book of prime entry to a personal account.

2 An incorrect amount was entered in a book of prime entry.

3 A total in a book of prime entry was incorrect.

4 A transaction was omitted from a book of prime entry.

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

14 Which statement regarding partnerships, constituted under a partnership agreement, is always correct?

A Each partner is always paid interest on capital.

B Each partner must introduce the same amount of capital.

C Each partner must share profits and losses equally.

D Each partner receives a salary only if set out in the agreement.

15 X and Y are in partnership sharing profits and losses in the ratio 3 : 2 respectively.

Z was introduced as a partner.

Goodwill was valued at $75 000 but is not to be retained in the books of account.

Non-current assets were revalued from $300 000 to $250 000.

The new profit sharing ratio will be 5 : 3 : 2 respectively.

What was the net adjustment in Y's capital account?

A $12 500 credit

B $12 500 debit

C $27 500 credit

D $27 500 debit

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16 A and B are in partnership. The following information relates to 2015.

		$
profit before appropriation		88 000
interest on drawings:	A	1 000
	B	1 000
interest on capital:	A	3 000
	B	1 000

The profit sharing ratio is in accordance with the proportion of the capital account.

What is A's share of the residual profit?

A $41 000 **B** $43 000 **C** $61 500 **D** $64 500

17 Which statement is correct?

A A bonus issue of shares will increase the amount of cash available to the company.

B A rights issue of shares is always made at the nominal value of the shares.

C A rights issue of shares will increase the amount of cash available to the company.

D If shares are issued at an amount that is more than the nominal value of the shares, the excess must be debited to the share premium account.

18 A limited company has an issued share capital of 300 000 $1 ordinary shares. It makes a bonus issue of one share for every three held. This is followed by a rights issue of one share for every five held.

What is the balance on the share capital account after these transactions?

A $360 000 **B** $400 000 **C** $460 000 **D** $480 000

19 The following information is available for a limited company which has 280 000 ordinary shares of $0.50 each.

	$
share premium	70 000
10% debentures	100 000
retained earnings	73 400
general reserve	62 700

What is the value of shareholders' equity?

A $346 100 **B** $446 100 **C** $486 100 **D** $586 100

20 Which ratio indicates how efficiently a company controls its overheads?

A current ratio

B gross margin

C profit margin

D trade receivables turnover

21 A company produces the following information.

profit from operations	98 000
profit for the year	91 000
equity at the end of the year	500 000
long-term bank loan	150 000

What is the return on capital employed?

A 14% **B** 15.08% **C** 18.2% **D** 19.6%

22 A business provided the following information.

budgeted overheads	$20 000
budgeted direct labour hours	2000
direct labour rate	$20 per hour

A job used materials costing $45 and 6 hours of direct labour.

Overheads are charged on the basis of direct labour hours used.

What was the cost of the job before adding any profit?

A $165 **B** $175 **C** $180 **D** $225

23 What is a reason for overhead absorption in a manufacturing business?

A to control overhead expenditure

B to determine the net realisable value of inventory

C to enable overheads to be apportioned to cost centres

D to establish costs per unit of product

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24 The following inventory transactions are available for a business.

opening inventory on 1 January	16 items at $525 each
receipts on 3 January	24 items at $675 each
issues on 5 January	28 items

The business uses the AVCO method to value inventory.

What was the value of closing inventory on 7 January?

A $6300 **B** $7200 **C** $7380 **D** $8100

25 A business entered into a contract for the support of its computer systems. There was an annual fee of $5000 plus a charge of $30 per hour for solving computer problems. At the end of the year the cost of computer support totalled $11 330.

Which type of cost was this?

A fixed

B semi-variable

C stepped

D variable

26 A business absorbs overheads on the basis of direct labour hours. The following information is available.

budgeted labour hours	6600 hours
actual labour hours	7100 hours
budgeted overheads	$75 900
actual overheads	$74 250

What is the value of overheads over or under absorbed?

A $5625 over

B $5625 under

C $7400 over

D $7400 under

27 A manufacturing business has two production departments: assembly and painting.

The following information is available.

	assembly	painting
machinery at net book value ($)	150 000	100 000
machinery repair costs ($)	14 000	6 000
machine operating hours	60 000	15 000
number of machines	30	10

The total machinery insurance cost for the year was $5000.

How much insurance should be apportioned to the assembly department?

A $3000 **B** $3500 **C** $3750 **D** $4000

28 Which costs will change with an increase in activity?

A unit fixed costs and total fixed costs

B unit fixed costs and total variable costs

C unit fixed costs and unit variable costs

D unit variable costs and total variable costs

29 The table shows figures for a week's production.

expected production	10 000 units
expected production overheads	$50 000
actual production overheads	$60 000
under absorption of overheads	$5 000

What is the actual amount of production in the week?

A 9000 units **B** 9167 units **C** 11 000 units **D** 13 000 units

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30 A business makes a single product. The following information is available.

production	total cost $
600 units	4200
800 units	5200

What is the fixed cost per unit?

	for 600 units $	for 800 units $
A	2.00	1.50
B	2.00	2.00
C	5.00	5.00
D	7.00	6.50

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