Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/11**

Paper 1 Multiple Choice **October/November 2019**

1 hour

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

7602158527

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 **10** printed pages and **2** blank pages.

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1 Which concept requires that revenue is only recorded in a business's books of account when it is certain of being received?

A business entity

B going concern

C materiality

D realisation

2 A depreciated non-current asset is revalued upwards.

What is the effect of this?

	capital reserve	revenue reserve
A	decrease	no effect
B	increase	no effect
C	no effect	decrease
D	no effect	increase

3 The net book value of motor vehicles at the start of the year was $150 000.

During the year a motor vehicle was sold for $26 000. There was a profit on disposal of $2000.

Depreciation is calculated at 10% on the opening net book value.

The net book value at the end of the year was $145 000.

What was the cost of motor vehicles purchased during the year?

A $33 500 **B** $34 000 **C** $35 500 **D** $36 000

4 A company's accounting year end is 30 June. On 1 October 2016 it purchased a machine for $16 000. This was sold for $7000 on 31 March 2019.

The company depreciates its machinery at 15% per annum on cost. Depreciation is charged on a month-by-month basis.

What was the profit or loss on disposal?

A $1800 loss

B $1800 profit

C $3000 loss

D $3000 profit

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5 A company prepared its purchases ledger control account which showed a balance of $15 960. The following items were then discovered.

1 Discounts received of $450 had been entered into the purchases ledger control account as $540.

2 A payment of $720 to a supplier had not been entered in his account.

3 The purchases ledger debit balances carried down totalling $110 had been omitted from the control account.

4 A contra of $170 had been entered in the purchases ledger but not in the purchases ledger control account.

What was the correct total of the trade payables?

A $15 050 **B** $15 240 **C** $15 990 **D** $16 150

6 An accountant prepared a bank reconciliation statement. He discovered the following differences between the bank statement and the cash book.

1 an amount received from a customer by credit transfer

2 bank charges

3 unpresented cheques

Which differences will need to be entered in the cash book to update it?

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

7 The following information is available for a business.

	$
trade receivables at 1 January 2018	63 000
provision for doubtful debts at 1 January 2018	1 890
total credit sales for the year	327 000
cash received from credit customers during the year after 4% cash discount	324 000

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

Which amount is recorded in the income statement for the year ended 31 December 2018?

A $570 expense

B $570 income

C $840 expense

D $840 income

8 Which items will **not** appear on an income statement?

1 deposit received from a customer for a future delivery

2 interest paid to a supplier on an overdue account

3 inventory at the end of the financial period

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

9 The following information is available at the end of the financial year of a sole trader.

	$
non-current assets	41 000
trade receivables	12 500
trade payables	4 500
bank	3 900 credit
long-term bank loan (due 2025)	6 000
drawings	2 500
profit for the year	4 200

What was the closing balance on the capital account?

A $37 400 **B** $39 100 **C** $40 800 **D** $46 900

10 A trader sends his staff on a training course costing $100 per person. 10 staff attended in April and 4 in May. Half the total cost had to be paid at the start of April and the balance at the end of May.

Which entry for training was made in the statement of financial position on 30 April?

A $300 accrual

B $400 accrual

C $600 prepayment

D $700 prepayment

11 Joe is a sole trader. Which statement(s) relating to his business are **not** correct?

1 Joe can receive a bank loan for the business.

2 Joe's drawings are transferred to his capital account.

3 Joe's personal expenses are included in his income statement.

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

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12 The provisions of the Partnership Act apply if partners do **not** draw up a partnership agreement.

Which statement is true as a provision of the Partnership Act?

A Interest on drawings is charged at 5% a year.

B Interest on loans from partners is to be at 8% a year.

C Partners are not entitled to salaries.

D Profits are to be shared in the ratio of fixed capitals.

13 The following information about the financial statements of a partnership is given.

	$
profit from operations	160 000
interest on bank loan	14 000
interest credited to capital accounts	15 000
drawings	70 000
partnership salaries	24 000

What is the remaining balance of profits to be appropriated amongst the partners?

A $66 000 **B** $107 000 **C** $121 000 **D** $137 000

14 X and Y are in partnership. Z was admitted to the partnership on 1 July 2018.

It was also agreed that at that date:

1 Assets of the partnership would be valued upwards by $48 000.

2 Value of goodwill would be $20 000, but no goodwill account would be retained in the books of account.

3 Z would introduce $80 000 cash.

4 Profit and loss sharing ratio would be X, Y and Z, 2 : 1 : 1 respectively.

What was Z's capital account balance immediately after the admission?

A $63 000 **B** $75 000 **C** $87 000 **D** $97 000

15 Which statement is **not** correct?

A Bonus shares can be issued from capital reserves.

B Bonus shares can be issued from revenue reserves.

C Dividends can be paid from capital reserves.

D Dividends can be paid from revenue reserves.

16 During the year ended 31 December 2018 a business made a profit of $31 000. A dividend of 8% was paid on the 200 000 ordinary shares of $0.50 each, and $12 000 was transferred to general reserve.

The retained earnings of the business on 31 December 2018 amounted to $68 000.

What was the balance of retained earnings on 1 January 2018?

A $41 000 **B** $57 000 **C** $65 000 **D** $79 000

17 A company had an issued share capital of $400 000 made up of ordinary shares of $0.50 fully paid. The following transactions took place.

1 An issue of bonus shares on the basis of one ordinary share for every four ordinary shares already held was made.

2 Later, a rights issue of ordinary shares of one new share for every two already held at a premium of $0.15 per share was made. This issue was fully subscribed.

By how much will the company's bank account be increased?

A $125 000 **B** $162 500 **C** $250 000 **D** $325 000

18 A reduction in which item would improve a business's profit margin?

A depreciation charge

B drawings

C trade payables turnover (days)

D trade receivables turnover (days)

19 A company's financial statements showed the following.

	$000
revenue	250
cost of sales	(60)
distribution costs	(45)
administrative expenses	(10)
income from investments	5
finance costs	(20)

What is the operating expenses to revenue ratio?

A 22% **B** 28% **C** 30% **D** 46%

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20 A company provides the following information.

	$
ordinary share capital	50 000
retained earnings at the end of the year	11 000
8% debentures (2023–2025)	15 000
bank overdraft	8 000
profit from operations	17 700
profit for the year	16 500

What is the return on capital employed?

A 21.07% **B** 21.71% **C** 23.29% **D** 27.05%

21 A company's production team has four employees. Each employee is paid a basic rate of $20 an hour.

The team also shares a bonus between them, based on their output. For any production in excess of 200 units, the team is paid a bonus of $8 per unit. This bonus is shared equally.

Last week each member of the team worked 35 hours, and the team as a whole produced 250 units.

What was the pay of each member of the team last week?

A $800 **B** $945 **C** $1050 **D** $1200

22 A business bought the following units of inventory in May.

date	quantity	unit cost
4 May	1000 units	$12.00
20 May	1000 units	$14.00
28 May	800 units	$14.75

1200 units were sold on 22 May for $20 each. The inventory's net realisable value at 31 May was $24 per unit. There was no opening inventory.

What was the value of closing inventory using the AVCO method of valuing inventory?

A $21 600 **B** $21 773 **C** $22 200 **D** $38 400

23 A company's reported profit for the year is the same whether it uses marginal costing or absorption costing.

Which statement is correct?

A Selling costs have increased.

B Selling costs have not changed.

C The inventory has increased.

D The inventory has not changed.

24 A business uses an overhead absorption rate based on direct labour hours.

The following information is provided for its last year.

	actual	budgeted
overheads	$120 000	$100 000
direct labour hours	10 000	8000
indirect labour hours	2000	4500

Which statement regarding overheads is correct?

A They were over absorbed by $5000.

B They were under absorbed by $5000.

C They were over absorbed by $24 000.

D They were under absorbed by $24 000.

25 A business has provided the following information about a product.

	$
unit contribution	6
total fixed costs	16 800

It is proposing to increase the unit selling price from $18 to $20.

What would be the effect of this on the break-even quantity?

A decrease by 700 units

B increase by 700 units

C decrease by 1400 units

D increase by 1400 units

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26 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

27 A company has the following information.

sales and production	20 000 units
	$
total sales	600 000
total costs	200 000
total fixed costs	80 000

What is the company's contribution to sales ratio?

A 20% **B** 33% **C** 67% **D** 80%

28 A company forecasts that in July its sales volume will decline by 10% and its contribution per unit will decline by 5% compared to June.

In June it made and sold 50 000 units. Total contribution was $80 000. Its fixed costs were $2000 and these were unchanged in July.

By how much will its profit fall in July compared to June?

A $4000 **B** $8000 **C** $11 600 **D** $13 600

29 Which statement about a **negative** margin of safety is correct?

A Sales are greater than the break-even point.

B Sales are less than the break-even point.

C Sales are greater than budgeted.

D Sales are less than budgeted.

30 A business is preparing this year's budget by adding a percentage to last year's budget.

Which statements are true?

1 Budget holders cannot be paid based on their performance.

2 Inefficiencies can always be eliminated.

3 Previous costs are carried forward into the next budget.

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

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