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**ACCOUNTING**

**9706/13**

Paper 1 Multiple Choice

**May/June 2019**

**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, 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.

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This document consists of **11** printed pages and **1** blank page.



- 1 When valuing inventory for inclusion in the financial statements, its selling price is ignored if it is higher than its cost price.

Which concept is being applied in this situation?

- A business entity
- B consistency
- C duality
- D historic cost

- 2 Why is depreciation provided on a non-current asset?

- 1 to apply the matching concept
- 2 to ensure the asset is shown at its market value
- 3 to spread the cost of the asset over its useful life

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

- 3 The accounting year of a business ends on 31 December.

An office building with a useful life of 40 years was purchased on 1 January 2010 for \$400 000. It is expected to have no residual value. Depreciation is charged using the straight-line method.

The office building was revalued on 1 January 2018 for \$480 000.

What will be the net book value of the office building at 31 December 2019?

- A \$360 000      B \$450 000      C \$456 000      D \$465 000

- 4 A new machine is purchased at a price of \$75 000. In addition, delivery and installation cost is \$2500.

The business depreciates all non-current assets at a rate of 20% per annum using the straight-line method.

By how much would depreciation decrease the profit for the year?

- A \$14 500      B \$15 000      C \$15 500      D \$17 500

- 5 The sales ledger control account of a business had a closing balance of \$21 650. This did not agree with the total of the sales ledger balances.

The following errors were discovered.

Discount allowed of \$1460 was entered in the debit of the sales ledger control account.

A sales invoice of \$1200 to J Ravi had been entered in the account of J Rajid.

A contra to the purchase ledger had been entered in the sales ledger correctly as \$600 but in the sales ledger control account as \$900.

What is the correct balance of the sales ledger control account?

- A** \$19 030      **B** \$20 490      **C** \$24 870      **D** \$25 770

- 6 A bank reconciliation statement shows a credit balance of \$400 in the cash book and a balance in hand of \$100 in the bank statements.

The bank reconciliation statement includes unpresented cheques of \$700 in addition to cheques banked and not yet credited in the bank statements.

What is the total of cheques banked and not yet credited?

- A** \$200      **B** \$400      **C** \$1000      **D** \$1200

- 7 A suspense account was opened when a trial balance failed to balance. It was then discovered that returns of \$200 had been correctly entered in the supplier's account but debited in the sales returns account. This was the only error.

What was the balance on the suspense account before this error was corrected?

- A** credit \$200  
**B** credit \$400  
**C** debit \$200  
**D** debit \$400

- 8 At the end of its financial year a business had trade receivables of \$16 000 and a provision for doubtful debts of \$640. The provision is to be maintained at 5%.

Which amount is shown in the income statement?

- A** \$160 expense  
**B** \$160 income  
**C** \$800 expense  
**D** \$800 income

- 9 A business provided the following information about general expenses for the year ended 31 March 2019.

|  | \$     |
|--|--------|
| accrued at 1 April 2018                        | 3 975  |
| prepaid at 1 April 2018                        | 2 450  |
| payments made for the year ended 31 March 2019 | 47 700 |
| accrued at 31 March 2019                       | 6 360  |
| prepaid at 31 March 2019                       | 5 825  |

What was the amount for general expenses to be included in the income statement for the year ended 31 March 2019?

- A** \$45 640      **B** \$46 710      **C** \$48 690      **D** \$49 760
- 10 A business provides the following information.

|                  | debit<br>\$ | credit<br>\$ |
|------------------|-------------|--------------|
| prepaid expenses | 4 620       |              |
| accrued expenses |             | 8 125        |
| bank balances    | 14 920      | 3 612        |
| trade payables   |             | 18 148       |
| loan (10 years)  |             | 15 000       |

What is the total for current liabilities?

- A** \$26 273      **B** \$26 380      **C** \$29 885      **D** \$44 885
- 11 A company provided the following information about an item of inventory.

|                              | \$      |
|------------------------------|---------|
| production cost              | 103 000 |
| delivery cost to be incurred | 1 000   |
| expected selling cost        | 500     |
| expected selling price       | 102 000 |

What is the correct inventory valuation?

- A** \$100 500      **B** \$102 000      **C** \$103 000      **D** \$104 500

12 Goodwill is adjusted in partners' accounts when there is a change in the profit sharing ratio.

How is this recorded?

|          | debit  | credit                                       |
|----------|--|--|
| <b>A</b> | capital accounts in new profit sharing ratio | capital accounts in old profit sharing ratio |
| <b>B</b> | capital accounts in old profit sharing ratio | capital accounts in new profit sharing ratio |
| <b>C</b> | current accounts in new profit sharing ratio | current accounts in old profit sharing ratio |
| <b>D</b> | current accounts in old profit sharing ratio | current accounts in new profit sharing ratio |

13 X, Y and Z were in partnership sharing profits and losses in the ratio 5 : 3 : 2 respectively.

The capital account balances before any adjustments were \$40 000, \$30 000 and \$20 000 respectively.

Z retired from the partnership. X and Y continued in partnership, sharing the profits and losses in the ratio 3 : 2 respectively.

Net assets were to be revalued upwards by \$10 000.

What was the capital account balance for partner X following Z's retirement?

- A** \$35 000      **B** \$39 000      **C** \$41 000      **D** \$45 000

14 L and M are business partners sharing profits and losses in the ratio 2 : 1.

On 31 December 2018, their capital and current accounts showed the following credit balances.

|                 | L<br>\$ | M<br>\$ |
|-----------------|---------|---------|
| capital account | 200 000 | 100 000 |
| current account | 40 000  | 30 000  |

At 1 January 2019, M transferred his private motor vehicle to the partnership. This motor vehicle originally cost \$15 000. Its current market value is \$8000.

Both partners made drawings of \$20 000 each.

What was the total of each partner's capital and current accounts after the changes?

|          | L                        |                          | M                        |                          |
|----------|--------------------------|--------------------------|--------------------------|--------------------------|
|          | capital<br>account<br>\$ | current<br>account<br>\$ | capital<br>account<br>\$ | current<br>account<br>\$ |
| <b>A</b> | 180 000                  | 40 000                   | 88 000                   | 30 000                   |
| <b>B</b> | 200 000                  | 20 000                   | 100 000                  | 18 000                   |
| <b>C</b> | 200 000                  | 20 000                   | 108 000                  | 10 000                   |
| <b>D</b> | 200 000                  | 20 000                   | 115 000                  | 10 000                   |

15 Which items may be recorded in a Statement of Changes in Equity?

- 1 issue of debentures
- 2 profit for the year
- 3 proposed dividends

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

- 16 The equity of a company included the following:

|                             | \$        |
|-----------------------------|-----------|
| ordinary shares of \$1 each | 1 500 000 |
| share premium account       | 600 000   |

The market price of one share was \$1.50.

The company made a fully subscribed rights issue of 500 000 ordinary shares at \$1.20 per share.

What was the balance on the ordinary share capital account and share premium account after the issue?

|          | ordinary share<br>capital account<br>\$ | share premium<br>account<br>\$ |
|----------|---|--------------------------------|
| <b>A</b> | 2 000 000                               | 700 000                        |
| <b>B</b> | 2 000 000                               | 850 000                        |
| <b>C</b> | 2 100 000                               | 600 000                        |
| <b>D</b> | 2 250 000                               | 600 000                        |

- 17 A company provides the following financial information at the end of the financial year.

|  | \$000 |
|--|-------|
| retained earnings at the start of the year                     | 50    |
| profit for the year  | 120   |
| ordinary dividends paid during the year                        | 70    |
| ordinary dividends proposed payable in the next financial year | 30    |
| transfer to general reserve                                    | 20    |

What is the amount of retained earnings at the end of the financial year?

- A** \$50 000      **B** \$70 000      **C** \$80 000      **D** \$100 000

- 18 Which accounting ratio could **not** be used to assess the ability of a business to pay its trade payables?

- A** current ratio  
**B** expenses to revenue ratio  
**C** liquid (acid test) ratio  
**D** trade receivables turnover

19 A sole trader has provided the following information.

|                      |           |
|----------------------|-----------|
| revenue for the year | \$240 000 |
| average inventory    | \$25 000  |
| mark-up              | 50%       |

What was the rate of inventory turnover?

- A 3.2 times
- B 4.8 times
- C 6.4 times
- D 9.6 times

20 A business provided the following information.

|                   |         |
|-------------------|---------|
| gross margin      | 20%     |
|                   | \$      |
| sales             | 275 325 |
| opening inventory | 25 450  |
| closing inventory | 55 975  |

What were the total purchases?

- A \$189 735
- B \$220 260
- C \$250 785
- D \$259 963

21 An employee is paid \$20 an hour basic pay for working 8 hours a day. Overtime is paid at the rate of a time and a half. A bonus is also paid of \$40 for each unit produced in excess of 10 units a day.

Yesterday the employee worked 10 hours and produced 11 units.

What was the employee's pay for the day?

- A \$220
- B \$260
- C \$620
- D \$660

22 The following information relates to one accounting period.

|                        |              |
|------------------------|--------------|
| opening inventory      | 40 000 units |
| closing inventory      | 44 000 units |
| absorption cost profit | \$284 000    |
| marginal cost profit   | \$250 000    |

What was the overhead absorption rate per unit during the accounting period?

- A** \$6.25      **B** \$6.45      **C** \$7.10      **D** \$8.50

23 A business uses the weighted average cost (AVCO) method of inventory valuation.

| date         |           | units | \$ per unit |
|--------------|-----------|-------|-------------|
| 1 September  | purchased | 50    | 4.00        |
| 10 September | purchased | 30    | 4.80        |
| 21 September | sold      | 15    |             |

What was the cost of each unit sold?

- A** \$4.00      **B** \$4.30      **C** \$4.40      **D** \$4.80

24 What may cause the under absorption of overheads?

- 1 Overheads have been lower than budgeted.
- 2 Overheads have been higher than budgeted.
- 3 Production volumes have been lower than budgeted.
- 4 Production volumes have been higher than budgeted.

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

25 Which changes would result in a fall in profit?

- 1 Marginal cost per unit increases.
- 2 Total fixed cost decreases.
- 3 Sales volume increases.
- 4 Selling price per unit decreases.

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

- 26** Last month a business sold 10 000 units and made a total contribution of \$60 000. Fixed costs were \$10 000.

This month the sales volume fell by 20% and its contribution per unit fell by 10%. Fixed costs were unchanged.

By how much will its profit fall this month compared to last month?

- A** \$6000      **B** \$16 800      **C** \$26 800      **D** \$43 200

- 27** A business has provided the following information.

|                    | \$     |
|--------------------|--------|
| total fixed costs  | 12 500 |
| unit selling price | 10     |
| unit variable cost | 6      |

Fixed costs and unit selling prices are expected to remain unchanged.

Which percentage increase in variable costs would result in a break-even quantity of 5000 units?

- A** 20%      **B** 25%      **C** 33%      **D** 42%

- 28** The following information is available for a product.

|                        |            |
|------------------------|------------|
| selling price per unit | \$25       |
| total fixed costs      | \$30 000   |
| break-even point       | 5000 units |

What is the contribution to sales (C/S) ratio?

- A** 19.4%      **B** 24%      **C** 31.6%      **D** 76%

- 29** Which cost will increase as production decreases?

- 1 fixed costs per unit
- 2 total fixed costs
- 3 total variable costs
- 4 variable cost per unit

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

**30** Which statements concerning a budget are correct?

- 1 It is always based upon historic data.
- 2 It is always prepared for a year ahead.
- 3 It needs the full commitment of all managers in order to work well.
- 4 It is used for planning and control of a business.

**A** 1 and 2

**B** 1 and 3

**C** 2 and 4

**D** 3 and 4

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