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ACCOUNTING

Paper 1 Multiple Choice

9706/12 **October/November 2013** 1 hour

Additional Materials:

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

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.

Do not use staples, paper clips, highlighters, 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.



www.papacambridge.com 1 The following information is taken from a trader's statement of financial position.

	\$
non-current assets	80 000
capital at start of year	75000
drawings	16000
profit for the year	13000
non-current liability	6000
current assets	12700

What is the amount of trade payables?

Α	\$8700	В	\$11700	С	\$14700	D	\$26700
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2 A business wishes to create a new provision for doubtful debts.

Which effect will this have in the financial statements of the business?

	in the income statement	in the statement of financial position
Α	increase profit	increase current assets
в	increase profit	reduce current liabilities
С	reduce profit	increase current liabilities
D	reduce profit	reduce current assets

3 Anna owns a plumbing business. Costs for the year were \$49500 for wages and \$95000 for materials. These included \$2200 labour and \$540 materials used by Anna in the extension of the business premises. Additional planning and legal costs of the extension were \$450.

What was Anna's total revenue expenditure for the year?

A \$141310 **B** \$141760 **C** \$142300 **D** \$144500

4 A building cost \$340000. The accumulated depreciation on the building was \$47600. It was decided to revalue the building to its market value of \$560 000.

What is the balance on the revaluation reserve?

A \$172400 **B** \$220000 **C** \$267600 **D** \$512400

www.papaCambridge.com 5 The table shows extracts from the statements of financial position of a business.

	2011 \$	2012 \$
non-current assets (at cost)	190000	245000
less accumulated depreciation	75000	90 0 00
	115000	155000

Other information for the financial year 2012 is as follows.

	\$
depreciation charged	40 000
new non-current assets purchased (at cost)	105000
loss on sale of non-current assets	10 000

Which amount was received from the sales of the non-current assets?

Α	\$15000	В	\$25000	С	\$30000	D	\$35000
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6 An item can be converted easily into cash.

In which section of the statement of financial position would this item appear?

- **A** capital
- **B** current assets
- **C** current liabilities
- D non-current assets
- 7 A company's financial year ends on 31 December.

At 31 December Year 1 the company carried forward a debit balance of \$36200 on the rent account.

During Year 2 payments made for 12 months' rent, to 31 March Year 3, were \$157 200.

What is the amount of rent to be charged in the income statement in Year 2?

A \$121000 **B** \$154 100 **C** \$160300 \$193400 D

8 A trader buys inventory costing \$6000.

He is entitled to trade discount at 10% and cash discount of 5%.

www.papacambridge.com On the same day he discovers that he can only sell the inventory for \$5000.

Which amount should he record as the purchase price of the inventory?

A \$5000 **B** \$5130 С \$5400 D \$6000

9 A business is preparing a bank reconciliation and finds the following.

	\$
unpresented cheques	3190
uncredited bankings	1949

4

The cash book has a debit balance of \$5000.

Which adjustments should be made to the cash book balance to reconcile it to the bank statement?

- Α minus \$3190, minus \$1949
- minus \$3190, plus \$1949 В
- С plus \$3190, minus \$1949
- **D** plus \$3190, plus \$1949
- **10** A company's trial balance includes a suspense account. It was found that the only errors were discounts received of \$240 and discounts allowed of \$312, which had both been entered on the incorrect sides of the respective ledger accounts.

What is the double entry required to clear the suspense account balance?

	account	debit \$	credit \$
Α	discounts allowed discounts received suspense	312	240 72
В	discounts allowed discounts received suspense	624	480 144
С	discounts received suspense discounts allowed	240 72	312
D	discounts received suspense discounts allowed	480 144	624

www.papaCambridge.com 11 During the month a company lost a quantity of inventory in a burglary. The table company's results for the month.

	\$
opening trading inventory, at cost	30 000
purchases	210 000
revenue	330 000
closing trading inventory, at cost	4000

A gross profit on all sales of 30% has been achieved.

What was the cost of the inventory lost in the burglary?

Α	\$4000	В	\$5000	С	\$9000	D	\$13000
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12 During the financial year a business receives \$620,000 from its trade receivables after allowing cash discounts of \$30000.

At the start of the year trade receivables owed \$47000. At the end of the year trade receivables owed \$40000.

What was the amount of credit sales made during the year?

Α	\$613000	В	\$627 000	С	\$643000	D	\$657000
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- **13** A business had a profit for the year of \$450,000 before correcting the following errors.
 - 1 Closing inventory was undervalued by \$15000.
 - 2 Sales returns of \$5000 had been recorded as purchases returns.
 - 3 The charge for depreciation was overstated by \$20000.

What was the corrected profit?

Α	\$435000	В	\$445000	С	\$475000	D	\$495000

	department X \$	department Y \$
revenue	810000	515000
cost of sales	<u>470000</u>	<u>265000</u>
gross profit	340 000	250000
overheads	<u>210000</u>	<u>295000</u>
profit/(loss) for the year	<u>130000</u>	(45000)

www.PapaCambridge.com 14 The following departmental accounts have been prepared for a limited company ended 30 September 2013.

The following errors have been found.

- 1 Department X overheads include \$10 000 for the purchase of goods for resale of department X.
- 2 Revenue of \$40 000 has been credited to department X when it should have been credited to department Y.

What is the corrected profit for the year for department X?

Α	\$80 000	В	\$90000	С	\$100000	D	\$170000
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15 A company has the following expenses for the year.

	\$
directors' salaries	140 000
depreciation of delivery vehicles	87 000
office salaries	90 000
loan interest	33000
discounts allowed	12000

What is the total of the administration overheads?

D \$362000 **A** \$242000 **B** \$263000 С \$329000

16 Which items appear in the manufacturing account of a business?

1 closing inventory of finished goods

- 2 closing inventory of work in progress
- 3 carriage inwards
- 4 carriage outwards

Α	1 and 2	В	1 and 3	С	2 and 3	D 2 and 4
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www.papaCambridge.com 17 X becomes a partner in a business receiving a 25% share in the profits. He pays his capital. The goodwill of the business is valued at \$40000.

What is the balance on X's capital account, if goodwill is not included in the books?

\$60000 **A** \$20000 **B** \$50000 С \$70000 D

18 A club has 190 members. The club charges an annual subscription of \$240 per member.

At the start of the year, 11 members had paid their subscriptions for the current year in advance. At the end of the year, 8 members had paid their subscriptions for the next year in advance, but 3 members had not yet paid their current year subscriptions.

Which figures are recorded in the current year?

	income and expenditure account \$	receipts and payments account \$
Α	44 160	45600
В	45600	44 160
С	45600	41760
D	41760	45600

19 The following financial information was provided at 31 December 2012.

	\$
purchases	95000
returns inwards	3 300
returns outwards	2 100
inventory withdrawn for personal use	5000

Inventory on 31 December 2012 was valued at \$1000 more than on 1 January 2012.

What was the cost of sales?

Α	\$85700	В	\$86 900	С	\$89000	D	\$97 100
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www.papacambridge.com 20 A vehicle is sold for \$1500. It cost \$5000 and \$3000 depreciation had been provided

Which entry is needed to close the disposal account?

	debit	\$	credit	\$
Α	disposal account	500	income statement	500
в	disposal account	3500	income statement	3500
С	income statement	500	disposal account	500
D	income statement	3500	disposal account	3500

21 A business is reviewing credit limits for its customers.

What would result in a customer's credit limit being reduced?

- Cash discounts are always taken by the customer. Α
- **B** Sales have increased to that customer.
- С The customer always pays their debt on time.
- D The customer has lost a major contract.
- 22 The table shows extracts from the trial balance of a business at 31 December 2012.

	\$
ordinary share capital	20000
share premium	40 000
long-term loan (repayable 2022)	30 0 00
bank overdraft	60 000
4% non-redeemable preference share capital	50000
7% debentures 2017	70000

What is the total of non-current liabilities in the statement of financial position?

A \$100000 **B** \$150000 **C** \$160000 **D** \$210000

www.papaCambridge.com 23 The trade receivables turnover for a company was 100 days in 2011. This reduced 2012, with no change in the sales revenue.

Which statement explains this change?

- Α Credit customers are paying earlier.
- В Credit customers are paying later.
- С Credit suppliers are being paid earlier.
- Credit suppliers are being paid later. D
- **24** A company provides the following information.

	\$
trade payables at start of year	38000
trade payables at end of year	49000
payments to credit suppliers	210 000
cost of sales	250 000

What was the trade payables turnover?

Α	72 days	В	81 days	С	86 days	D	90 days
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25 A company makes three products.

	contribution per unit \$	contribution per hour \$
product 1	14	2.1
product 2	13	2.6
product 3	8	2.4

Total available labour hours are insufficient to make enough of each product to meet demand.

In what order should the products be produced to maximise profit?

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

www.papacambridge.com 26 The cost of using a mobile phone is made up of a monthly rental charge and the cost phone calls.

What type of cost is this?

- Α fixed
- В semi-variable
- С stepped
- variable D
- 27 A business sells its product for \$10 per unit and has variable costs of \$6 per unit. The table shows the fixed costs for the year.

	\$
factory rent	30 000
other fixed costs	70000

What is the break-even point?

- **C** 17500 units **D** 25000 units **A** 10000 units **B** 16667 units
- **28** A company's financial information is as follows.

	\$
selling price per unit	55
variable costs per unit	15
total fixed costs	33000

If the selling price is reduced to \$40, how many extra units need to be sold to break-even?

A 495 **B** 825 **C** 1320 **D** 2200

29 A company is asked to make a new machine for a customer. It provides the following estimates.

materials will cost \$1100

labour will be 30 hours at a cost of \$14 per hour

The company charges overheads at \$10 per labour hour and has a mark up of 30% on total cost.

What is the price on the job cost sheet?

	Α	\$1520	В	\$1820	С	\$1976	D	\$2366	3
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10

www.papacambridge.com **30** Ted plans to buy a motor vehicle for \$12000 on 1 May 2014. He intends to pay half it time of purchase and to take out a loan at 6% interest a year to finance the balance. repaid on 1 November 2014.

Which figures does Ted include in his cash budget for 2014?

	May \$	November \$
Α	6000	6000
в	6000	6180
С	12000	0
D	12000	180



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