
ACCOUNTING

9706/11

Paper 1 Multiple Choice

May/June 2015

1 hour

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

* 8 6 8 7 6 3 0 0 7 5 *

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.

- 1 Which entries are required to show a decrease in the existing provision for doubtful debts?

| | debit | credit |
|----------|--------------------------------------|--------------------------------------|
| A | bad debts account | provision for doubtful debts account |
| B | income statement | provision for doubtful debts account |
| C | provision for doubtful debts account | bad debts account |
| D | provision for doubtful debts account | income statement |

- 2 A trader, whose year end was 31 December 2014, paid business rates of \$3000 on 1 November 2014. The business rates were for the six months ending 31 March 2015, but no adjustment had been made for the prepayment.

Which effect does this omission have on the profit for the year?

- A** overstated \$1500
B overstated \$2000
C understated \$1500
D understated \$2000
- 3 Closing inventory of \$5000 at 31 December 2014 has been incorrectly entered in the financial statements as \$3000.

How does this affect the financial statements at 31 December 2014?

| | profit for the year | net assets |
|----------|---------------------|-------------|
| A | no effect | understated |
| B | overstated | overstated |
| C | understated | no effect |
| D | understated | understated |

- 4 Jasmine makes purchases from X Limited and also sells goods to X Limited. At the year-end Jasmine owes X Limited \$500 and X Limited owes Jasmine \$750.

What are the correct entries in Jasmine's books of accounts to contra (offset) these amounts?

| | purchases ledger control account \$ | sales ledger control account \$ |
|----------|---|---------------------------------------|
| A | 250 | 250 |
| B | 500 | 500 |
| C | 750 | 500 |
| D | 750 | 750 |

- 5 The following information is available at the end of the financial year.

| | \$ |
|-------------------|---------|
| net assets | 850 000 |
| drawings | 47 300 |
| loss for the year | 135 600 |

What is the value of capital at the start of the year?

- A** \$667 100 **B** \$761 700 **C** \$938 300 **D** \$1 032 900
- 6 A company has two departments, X and Y. The following data is available for the year.
- Sales for the two departments are \$25 000 and \$35 000 respectively.
- Both departments apply the same mark up and total gross profit amounts to \$24 000.
- Expenses are split 55% to X and 45% to Y.
- Total profit for the year amounts to \$8000.
- What is department X's profit for the year?
- A** \$1200 **B** \$2800 **C** \$5200 **D** \$6800

- 7 An analysis of the cash account for a sole trader showed the following for the year.

| | \$ |
|--------------------------|---------|
| capital introduced | 300 |
| cash takings banked | 125 000 |
| expenses paid | 31 200 |
| drawings | 2 600 |
| cash in hand at year-end | 100 |

There were no credit sales.

What was the revenue for the year?

- A** \$158 500 **B** \$158 600 **C** \$159 100 **D** \$159 200
- 8 A business had the inventory receipts as shown.

| | |
|---------|---------------------------------|
| 1 April | 2000 litres at \$4.00 per litre |
| 2 April | 1000 litres at \$5.50 per litre |

There was no opening inventory.

On 3 April 2500 litres were issued to production.

What is the value of the issue to production using FIFO?

- A** \$2 250 **B** \$2 750 **C** \$10 750 **D** \$11 250
- 9 The following figures have been extracted from the financial statements of a business.

| | \$ |
|--|--------|
| trade receivables | 45 000 |
| provision for doubtful debts | 2 000 |
| bad debts from previous year written off | 1 000 |

The trade receivable days were 71.1 days.

What was the figure of credit sales for the year to the nearest dollar?

- A** \$215 612 **B** \$220 745 **C** \$231 013 **D** \$241 280

10 Which item incorrectly applies the matching principle?

- A capitalising staff expertise and writing it off over the working life of the staff
- B including a value for unused stationery in statement of financial position
- C providing for doubtful debts in the year the sales took place
- D recording telephone costs incurred but not yet billed

11 The following information has been taken from a summarised statement of financial position.

| | \$ |
|-------------------------------------|---------|
| non-current assets | 175 000 |
| current assets | 45 000 |
| current liabilities | ? |
| 100 000 ordinary shares of \$1 each | 100 000 |
| share premium | 65 000 |
| retained earnings | 35 000 |

What is the value of the current liabilities?

- A \$20 000
- B \$55 000
- C \$70 000
- D \$120 000

12 A trader buys and sells two products for cash. The following information is available.

| | product X \$ | product Y \$ |
|---------------------------------|-----------------|-----------------|
| carriage outwards | 3 700 | – |
| goods taken for own use at cost | – | 2 500 |
| payments to suppliers | 44 500 | 38 200 |
| discount received | 900 | – |

What is the total value of ordinary goods purchased?

- A \$80 200
- B \$81 100
- C \$83 600
- D \$84 800

- 13 Which item appears as a credit entry in the appropriation account of a partnership?
- A goodwill
 - B interest on capital
 - C partnership salaries
 - D profit for the year

- 14 Alice and Bharti have been in partnership sharing profits and losses in the ratio of 3:2. The balances on the partners' capital accounts at 31 December 2014 are shown.

| | \$ |
|--------|--------|
| Alice | 32 000 |
| Bharti | 18 000 |

The partners decided to share profits and losses equally with effect from 1 January 2015. There was no goodwill account in the books. Goodwill is valued at \$30 000 and is not to be retained in the books of account.

What is the balance on Alice's capital account after the adjustment for goodwill?

- A \$15 000 B \$18 000 C \$35 000 D \$50 000
- 15 The following relates to subscriptions of a club for the year ended 31 March 2015.

| | \$ |
|---|--------|
| income credited to income and expenditure account | 50 000 |
| in arrears at the start of the year | 400 |
| in arrears at the end of the year | 700 |
| paid in advance at the start of the year | 1 300 |
| paid in advance at the end of the year | 2 200 |

What is the amount of subscriptions received from members during the year?

- A \$48 800 B \$49 400 C \$50 600 D \$51 200
- 16 How is any premium on an issue of shares treated?
- A added to a capital reserve
 - B added to a revenue reserve
 - C deducted from a capital reserve
 - D deducted from a revenue reserve

17 The following statement describes a type of preference share.

'Shareholders are entitled to a fixed annual dividend with any unpaid dividends being paid out of future profits'.

Which type of preference share does it describe?

- A cumulative
- B non-cumulative
- C participating
- D redeemable

18 Why does a business have a higher gross profit margin than its rivals?

- A Its rivals pay less for goods.
- B Its rivals pay more for goods.
- C Its rivals spend less on advertising.
- D Its rivals spend more on advertising.

19 How is mark up calculated?

- A $\text{gross profit} / \text{cost of sales} \times 100$
- B $\text{gross profit} / \text{revenue} \times 100$
- C $\text{profit for the year} / \text{cost of sales} \times 100$
- D $\text{profit for the year} / \text{revenue} \times 100$

20 A business has a gross profit ratio (margin) of 40%, and a net profit ratio (percentage) of 10%. The business has significant fixed costs.

Sales volume increases by 8%. How will the ratios be affected?

| | gross profit ratio (margin) | net profit ratio (percentage) |
|---|--------------------------------|----------------------------------|
| A | increase | decrease |
| B | increase | increase |
| C | unchanged | decrease |
| D | unchanged | increase |

21 Petra supplies goods on credit to Ashy Limited.

What is Petra's main interest in considering Ashy Limited's financial statements?

- A to discover its historic trend in profitability
- B to establish its level of liquidity
- C to examine its capital structure
- D to find out about its dividend payments

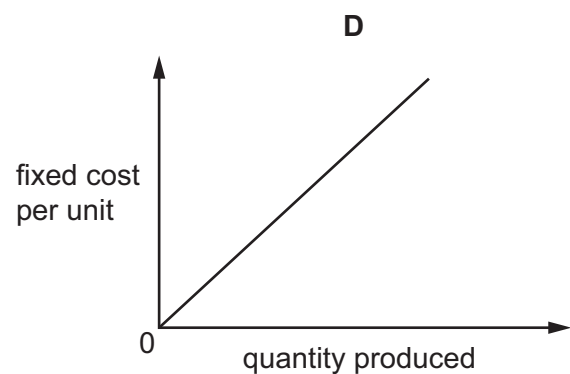
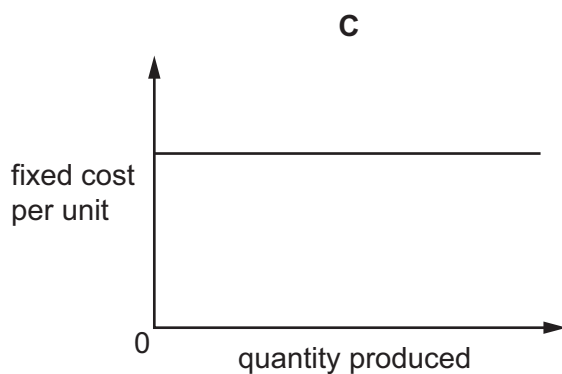
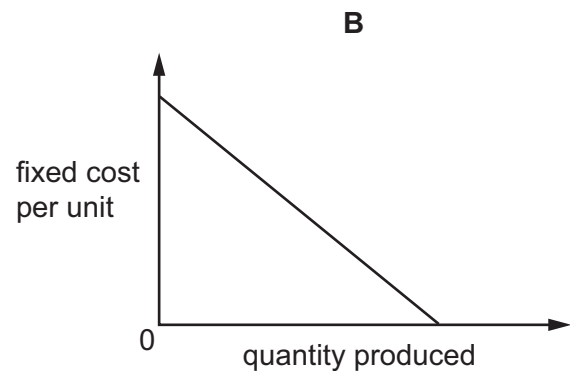
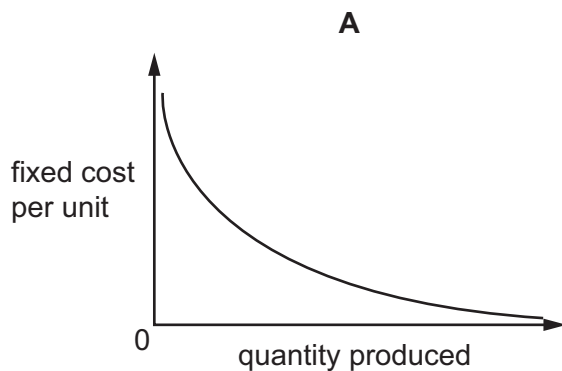
22 A manufacturing business has the following costs

- 1 carriage inwards
- 2 depreciation of factory machinery
- 3 insurance of machinery
- 4 machine operators' wages
- 5 raw material costs

Which items make up factory overhead?

- A 1 and 2
- B 2 and 3
- C 2 and 4
- D 3 and 5

23 Which graph shows the fixed cost per unit produced in a manufacturing process?



24 Actual output for a business is higher than budgeted output.

Which costs will still be the same as budgeted?

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

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

25 A business has an activity level below budget and fixed overhead expenditure below budget.

Do these result in an under absorption of fixed overhead?

| | activity below budget | expenditure below budget |
|----------|-----------------------|--------------------------|
| A | no | no |
| B | no | yes |
| C | yes | no |
| D | yes | yes |

26 A trader decides to manufacture a product rather than buy it from a supplier.

Which statement about the buying-in price is correct?

- A** It is more than fixed cost of producing the product
- B** It is more than semi-variable cost of making the product
- C** It is more than total cost of making the product
- D** It is more than variable cost of producing the product

27 A company has been asked to quote a price for a specific job. Estimated costs are as follows.

| | \$ |
|------------------|------|
| direct materials | 2000 |
| direct labour | 3300 |

Overheads are charged at 50% of labour cost.

Profit is 20% of the total job cost.

What is the total of the quotation for the job?

A \$5300 **B** \$6360 **C** \$6950 **D** \$8340

28 A business had the following results in April and May.

| | April | May |
|-------------------------|----------|----------|
| units produced and sold | 1000 | 1200 |
| total revenue | \$50 000 | ? |
| total contribution | \$22 000 | ? |
| total profit | \$8 000 | \$10 500 |

The selling price per unit remained constant.

What was the change in the variable cost per unit?

- A decrease \$0.75
- B decrease \$1.59
- C increase \$0.75
- D increase \$1.59

29 A company has the following budget.

| | \$ |
|----------------------------|-----------|
| revenue | 1 000 000 |
| contribution | 550 000 |
| fixed production costs | 275 000 |
| fixed non-production costs | 55 000 |

What is its budgeted break-even revenue?

- A \$220 000
- B \$275 000
- C \$500 000
- D \$600 000

30 Which item will **not** appear in a cash budget?

- A bad debt written off
- B loan interest
- C repayment of bank loan
- D utility expenses

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