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Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/12**

Paper 1 Multiple Choice **October/November 2015**

1 hour

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

* 5 4 4 9 3 7 4 9 9 6 *

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 Why does a trader account for accrued income?

A so that current liabilities are not overstated

B so that current liabilities are not understated

C so that profit is not overstated

D so that profit is not understated

2 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

3 A business paid $10 000 for motor expenses in the year.

The opening prepayment was $1500 and the closing accrual was $2000.

What was the charge for motor expenses for the year?

A $6500 **B** $9500 **C** $10 500 **D** $13 500

4 An item of revenue expenditure is wrongly treated as capital expenditure.

What is the effect of this error?

	non-current assets	profit for the year
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

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5 A trader prepares a disposal account. On which sides do the cost of the asset and sale proceeds appear?

	cost of the asset	sale proceeds
A	credit	credit
B	credit	debit
C	debit	credit
D	debit	debit

6 A trial balance at 30 June, before making end of year adjustments, showed the following.

	debit $	credit $
trade receivables	35 600	–
provision for doubtful debts	–	1 160

At 30 June, it was decided to write off a bad debt of $1600 and to make a provision for doubtful debts equal to 2% of trade receivables.

What was the total decrease in the profit for the year ended 30 June arising from the bad and doubtful debts?

A $680 **B** $1120 **C** $2080 **D** $2280

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7 Land and buildings are shown in the books of account at a cost price of $200 000 with accumulated depreciation of $40 000.

The property is revalued at $340 000.

Which entries record this transaction?

	account	debit $	credit $
A	land and buildings	140 000	
	income statement		140 000
B	land and buildings	140 000	
	provision for depreciation	40 000	
	income statement		180 000
C	land and buildings	140 000	
	revaluation reserve		140 000
D	land and buildings	140 000	
	provision for depreciation	40 000	
	revaluation reserve		180 000

8 At 1 January 2014 a business had prepaid rent of $700. In July it paid an invoice for $9300 and on 31 December it transferred an expense of $9000 to the income statement.

Which value appeared in the statement of financial position at 31 December 2014?

A $400 other payables

B $400 other receivables

C $1000 other payables

D $1000 other receivables

9 Which cost should be treated as revenue expenditure?

A installing a new sound system in a car

B purchase of a trailer for a car

C replacing a damaged engine of a car

D replacing an old car with a new one

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10 A sales return of $400 has been credited to the customer's account as $40.

A suspense account is created to complete the trial balance.

What is the balance on the suspense account?

A $360 Credit

B $360 Debit

C $440 Credit

D $440 Debit

11 The creation of a provision for doubtful debts is an example of which accounting concept?

A business entity

B consistency

C prudence

D realisation

12 A business provided the following information.

		$
1 April	purchases ledger credit balance	16 725
30 April	credit purchases for the month	42 653
30 April	payments made to trade payables	37 324
30 April	purchases returns	723

What is the balance on the purchases ledger control account at 30 April?

A $12 119 **B** $21 331 **C** $59 378 **D** $62 529

13 A business depreciates its motor vehicles over four years using the straight-line method. A full year's depreciation is charged in the year of purchase, but none in the year of sale.

A vehicle purchased on 1 July 2011 for $18 000 had an estimated residual value of $4000. The vehicle was sold for $5000 on 31 December 2014.

Which entry appeared in the income statement for the year ended 31 December 2014?

A $1000 loss

B $2500 loss

C $2500 profit

D $5000 profit

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14 Rachel's trial balance did not agree and she placed the difference in a suspense account.

The following shows how four errors have been corrected using the suspense account.

suspense account			
	$		$
difference in trial balance	200	discount received	310
discount allowed	160	sundry expenses	390
cash	340		
	700		700

The profit for the year before the errors were corrected was $35 400.

What is the correct profit for the year?

A $34 520

B $34 540

C $34 860

D $35 480

15 A bank reconciliation statement has been prepared by an inexperienced book-keeper.

	$
bank statement balance (overdrawn)	(68 100)
cheques received not paid in	141 200
	209 300
cheques paid to suppliers, not yet presented	(41 800)
cash book balance (overdrawn)	(167 500)

What is the correct bank balance according to the cash book?

A $31 300 overdrawn

B $31 300

C $167 500 overdrawn

D $167 500

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16 An invoice for purchases was credited to the purchases account.

How is the balance on the purchases account corrected?

A decrease by the value of the invoice

B decrease by twice the value of the invoice

C increase by the value of the invoice

D increase by twice the value of the invoice

17 Which item may appear in the manufacturing account of a business?

A carriage inwards

B carriage outwards

C discounts allowed

D discounts received

18 Inventory is valued at the lower of cost and net realisable value.

What is net realisable value?

A selling price

B selling price less cash discount

C selling price less further cost to completion

D selling price less trade discount

19 A trader runs a manufacturing business.

Which department should it close?

A department 1 where contribution exceeds fixed costs

B department 2 where contribution is less than fixed costs

C department 3 where revenue exceeds marginal costs

D department 4 where revenue is less than marginal costs

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20 A club provides the following information.

	$
opening subscriptions in advance	1 200
subscriptions received during the year	25 000
closing subscriptions in arrears	1 500

How much are subscriptions for the year in the income and expenditure account?

A $22 300 **B** $24 700 **C** $25 300 **D** $27 700

21 Which items increase when a company issues new shares?

1 cash (and cash equivalents)

2 equity

3 non-current liabilities

4 retained earnings

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

22 When is working capital most likely to increase?

A when the business increases its selling prices

B when the credit period allowed to customers is reduced

C when the credit period taken from suppliers is increased

D when the value of inventory decreases

23 John failed to write off a bad debt of $8000.

What was the effect of this omission?

A His trade payables turnover (in days) was overstated.

B His trade payables turnover (in days) was understated.

C His trade receivables turnover (in days) was overstated.

D His trade receivables turnover (in days) was understated.

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24 A customer places an order for 20 000 bricks.

Which costing method will the supplier use to price the order?

A batch

B job

C marginal

D unit

25 Which item is classed as a direct cost?

A administration costs

B carriage inwards

C carriage outwards

D supervisor's salary

26 A business sells its product for $50 a unit and has variable costs of $30 per unit. Its fixed costs for this year were $200 000. Next year, fixed costs are expected to be $260 000.

How many more units will have to be sold next year to make the same profit as this year?

A 3000 **B** 5200 **C** 10 000 **D** 13 000

27 A manufacturer produces 100 000 tins of paint with a total direct materials cost of $300 000. Direct labour is 2000 hours at a cost of $400 000, and overheads are absorbed at the rate of $100 per direct labour hour.

What is the cost of a tin of paint?

A $3 **B** $5 **C** $7 **D** $9

28 A business provides the following information.

month	number of machine hours	total overheads $
August	72 000	842 000
September	84 000	938 000

The variable overhead rate per machine hour was $8.

What was the monthly fixed cost?

A $96 000 **B** $266 000 **C** $576 000 **D** $672 000

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29 A business produces a single product.

	number of units
opening inventory	5 000
production	15 000
closing inventory	2 000

The variable production cost per unit is $10 and the fixed production cost is $60 000. The sales revenue is $360 000.

Profit is $108 000 based on full absorption costing.

What is the profit based on marginal costing?

A $8000 higher

B $8000 lower

C $12 000 higher

D $12 000 lower

30 A business provides the following information for a cost centre.

apportioned overhead costs	$160 000
re-apportioned service department costs	$60 000
total labour hours	25 000
total machine hours	40 000

What is the overhead absorption rate for the cost centre?

A $4.00 per hour

B $5.50 per hour

C $6.40 per hour

D $8.80 per hour

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