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Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/13**

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)

3376428985

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 Sanjay maintains a sales ledger in which Pardeep's account has a debit balance of $850.

What does this show?

A Pardeep has paid Sanjay $850.

B Pardeep owes Sanjay $850.

C Sanjay has paid Pardeep $850.

D Sanjay owes Pardeep $850.

2 On 1 March a sales company has prepaid $3600 for 12 months' travel costs. It also has an outstanding hotel bill of $180.

During March it pays the outstanding hotel bill and a further $700 for airline tickets.

At 31 March it has an outstanding hotel bill of $220.

What is the correct cost of travel in the income statement for March?

A $920 **B** $1220 **C** $1400 **D** $4520

3 A book-keeper failed to record accrued rent payable of $12 000 at the year end.

What is the effect of this on the financial statements?

	net assets	profit for the year
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

4 Which books of prime entry are used in preparing a disposal account?

A cash book and general journal

B cash book and sales journal

C cash book, general journal and sales journal

D general journal and sales journal

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5 A depreciated non-current asset is revalued upwards.

What is the effect of this on the statement of financial position?

A Non-current assets increase, equity decreases.

B Non-current assets increase, equity increases.

C Non-current assets increase, retained earnings decrease.

D Non-current assets increase, retained earnings increase.

6 The following information is available in respect of a non-current asset.

	$
purchase price	160 000
accumulated depreciation at the date of disposal	100 000
sale proceeds	65 000
market value at the date of disposal	68 000

What is the profit or loss on disposal?

A $5000 profit

B $8000 profit

C $92 000 loss

D $95 000 loss

7 Peter, a credit customer of John, settles his account of $200. He pays by cheque and receives a cash discount of 5%.

Which entries are made in John's books of account to record this transaction?

	account to be debited	$	account to be credited	$
A	bank discount allowed	190 10	Peter	200
B	bank discount received	190 10	Peter	200
C	Peter	200	bank discount allowed	190 10
D	Peter	200	bank discount received	190 10

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8 A business makes a provision for doubtful debts equal to 10% of trade receivables.

The provision at 31 March 2013 was $8300.

The trade receivables after the provision on 31 March 2014 were $55 800.

What is the change in provision over the 12 months?

A $2100 decrease

B $2100 increase

C $2700 decrease

D $2700 increase

9 An entry of $700 in the discount received account had not been entered in the purchases ledger. During the year a machine was sold for $1000. There was only one entry made and it was a credit in the bank account.

What is the balance on the suspense account?

A $1700 credit

B $1700 debit

C $2700 credit

D $2700 debit

10 A trader's closing inventory includes damaged items that originally cost $500. These items will cost $150 to repair and they will then be sold for $600.

At which value will these items be recorded in the trader's inventory?

A $350 **B** $450 **C** $500 **D** $600

11 What is the advantage of keeping a full set of double entry books of account?

A Account balances are available through the year.

B Business assets and owner's assets can be kept separate.

C It enables the book-keeper to check the bank statement for errors and omissions.

D It stops the value of assets being overstated.

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12 The following financial information is available for a business.

	$
draft profit for the year	12 650
closing capital	52 780

The following error has been discovered in the accounting system.

Private fuel costs, $1930, had been charged in the business motor expenses account.

What are the final figures for the year?

	profit for the year $	capital $
A	10 720	50 850
B	10 720	54 710
C	14 580	52 780
D	14 580	54 710

13 A creditor for $720 transferred from the purchases ledger has been entered on the wrong side of the sales ledger control account.

The sales ledger control account has a closing balance of $92 460, before correcting the transfer. A provision for doubtful debts of $1000 is to be made.

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

A $90 020 **B** $91 020 **C** $91 740 **D** $92 180

14 Draft financial statements showed revenue of $106 000 and closing inventory of $2100.

There were 100 items which had cost $10 an item but which were for sale at $6 an item. At the year end these were with a customer on a sale or return basis. These items were treated as having been sold although no sale had been agreed.

What were the values of revenue and inventory when the principle of prudence is applied?

	revenue $	inventory $
A	105 000	2700
B	105 000	3100
C	105 400	2700
D	105 400	3100

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15 A club charges each of its 100 members an annual subscription of $12.

At the end of a year four members had not paid their annual subscription.

What will be the entries in the financial statements for subscriptions?

	income and expenditure account $	statement of financial position	
A	1152	current asset	$48
B	1152	current liability	$48
C	1200	current asset	$48
D	1200	current liability	$48

16 What is depreciation?

A a means of allocating the cost of a non-current asset over its useful life

B a measure of the decrease in market value of a non-current asset

C an outflow of cash from the use of a non-current asset

D the expense spent on the non-current asset

17 Which items appear in a manufacturing account?

1 depreciation of production machinery

2 marketing expenses

3 opening inventory of work in progress

4 opening inventory of finished goods

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

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18 A business has two departments.

	profit for the year $	revenue for the year $	number of staff $	floor space occupied / square metres
department X	25 000	84 000	2	1500
department Y	65 000	204 000	4	2500
	90 000	288 000	6	4000

Total rent expense in the income statement is $72 000.

What is the rent cost apportioned to each department?

	department X $	department Y $
A	20 000	52 000
B	21 000	51 000
C	24 000	48 000
D	27 000	45 000

19 A company raises cash by issuing 8% debentures.

What is the effect on the company's profits and equity in the year of issue?

	profits	equity
A	decrease	decrease
B	decrease	no effect
C	increase	decrease
D	increase	no effect

20 A business sells goods at a mark up of 33.3%.

Information for a year is given.

	$
revenue	600 000
opening inventory	53 000
closing inventory	68 000

What are the total purchases for the year?

A $415 000 **B** $435 000 **C** $450 000 **D** $465 000

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21 A company has a current ratio of 2 : 1. Its bank balance is $80 000 debit and its current liabilities are $200 000.

It then issues 50 000 new ordinary shares of $1 each at a premium of $0.10 per share.

What is the new current ratio?

A 2.25 : 1 **B** 2.28 : 1 **C** 2.67 : 1 **D** 2.76 : 1

22 During the year ended 31 March 2015, a business made sales of $560 000 of which 25% were for cash. The trade receivables at 31 March 2014 were $52 000 and at 31 March 2015 they were $56 000.

What is the trade receivables turnover based on average trade receivables?

A 34 days **B** 36 days **C** 47 days **D** 49 days

23 The following information relates to a product.

	$
fixed costs	72 000
required profit	30 000
selling price per unit	10
variable cost per unit	4

How many units must be produced and sold to cover fixed costs and make the required profit?

A 12 000

B 17 000

C 18 000

D 25 500

24 A company has sales of $192 000, fixed costs of $40 000 and a contribution / sales ratio of one-third.

What are its profits?

A $24 000 **B** $50 667 **C** $64 000 **D** $88 000

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25 A company sells a single product for $24 per batch.

The variable cost is $8 per batch.

Fixed costs have been absorbed based on a normal activity level of 1000 batches at $6 per batch.

What is the profit under marginal costing if the company makes and sells 1250 batches?

A $10 000 **B** $12 500 **C** $14 000 **D** $20 000

26 The following information is forecast for next period.

opening inventory	20 300 units
closing inventory	22 500 units
marginal cost profit	$90 600
absorption cost profit	$100 400

What is the overhead absorption rate per unit?

A $4.03 **B** $4.45 **C** $4.46 **D** $4.95

27 A business is considering disposing of a non-current asset.

Which type of cost is the asset's book value?

A fixed

B semi-variable

C stepped

D sunk

28 A company has total fixed costs of $100 000 and a break-even point of 4000 units. Variable costs per unit are $40. It produced and sold 10 000 units.

How much is revenue per unit?

A $25 **B** $35 **C** $65 **D** $75

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29 A trader received an order for 1000 shirts, 500 units printed in red and 500 units in blue. The printing machine had to be set up two times. The relevant cost information is shown.

variable costs per unit	$20
factory overhead	200% of unit variable cost
machine setup per batch	$1000

What is the unit cost of this order?

A $60 **B** $61 **C** $62 **D** $66

30 A business started on 1 January 2014. The following balances are available at 31 December 2014.

	$
total sales	150 000
cash purchases	72 000
cash expenses	32 000
depreciation	4 000
trade receivables	18 000

What is the cash surplus for the year?

A $24 000 **B** $28 000 **C** $42 000 **D** $46 000

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