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Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/32**

Paper 3 Multiple Choice **October/November 2015**

1 hour

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

* 4 4 8 1 7 7 3 4 7 2 *

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 **11** printed pages and **1** blank pages.

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1 Which item is **not** part of the owner's equity?

A capital redemption reserve

B ordinary share capital

C proposed ordinary share dividend

D revaluation reserve

2 The following information is available for Y's business.

	book value $000	market value $000
current assets	80	58
current liabilities	25	25

X Limited buys the business of Y. It pays $340 000 for total tangible net assets and $60 000 for goodwill.

What was the purchase price of the tangible non-current assets bought by X Limited?

A $282 000 **B** $307 000 **C** $345 000 **D** $367 000

3 Which error would result in a balance on a suspense account?

A capital expenditure recorded as a motor vehicle expense

B extracting an incorrect balance on the sales ledger control account

C failure to depreciate non-current assets

D recording a credit sale in an incorrect customer account

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4 X, Y and Z are in partnership with a profit sharing ratio of 2 : 2 : 1. When Z retires, goodwill is calculated at $30 000 but is not retained in the books of account. At that date the balances on the capital accounts were as follows.

	$
X	25 000
Y	25 000
Z	10 000

X and Y continue in partnership sharing profit and losses equally.

What is the balance on X's capital account after Z retires?

A $22 000 credit

B $22 000 debit

C $28 000 credit

D $28 000 debit

5 A company has a profit from operations of $326 000 after taking into account the following information.

	$
depreciation	24 000
goodwill impairment	11 000
increase in inventory	18 000

What is the net cash flow from operating activities?

A $321 000 **B** $343 000 **C** $357 000 **D** $361 000

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6 A manufacturing business provides the following inventory valuations for finished goods.

	$
at 1 January 2014	45 000
at 31 December 2014	60 000

Goods are transferred from the factory at cost plus 25%.

Which adjustment is made for unrealised profit?

A $3000 added to gross profit

B $3000 deducted from gross profit

C $3750 added to gross profit

D $3750 deducted from gross profit

7 At the end of last year, a company's equity was as follows.

	$
ordinary shares of $1 each	100 000
retained earnings	30 000
	130 000

In the current financial year, the company makes a bonus issue of one ordinary share for every ten shares held previously.

The bonus issue is followed by a fully subscribed rights issue of two shares at $1.30 per share for every eleven shares already held.

By how much do these transactions increase the company's cash resources?

A $10 000

B $20 000

C $26 000

D $46 000

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8 The business of a sole trader is bought by a limited company. Details of the sale are shown in the following table.

net assets at valuation	$250 000
agreed purchase price	$280 000
cash paid in part settlement	$40 000
number of $1 shares issued	120 000

What is the premium per share?

A $0.75 **B** $1.00 **C** $1.75 **D** $2.00

9 Which statement about debentures and preference shares is correct?

A Both debentures and preference shares increase the gearing ratio.

B Both debenture holders and preference shareholders can vote at the annual general meeting.

C Capital employed includes preference shares but not debentures.

D When the company ceases to trade, preference shareholders are repaid before debenture holders.

10 The following financial information is available for a limited company.

	$000
ordinary shares of $1 each	400
share premium	200
general reserve	80
retained earnings	120
long-term loan	100

What is the book value of one ordinary share?

A $1.50 **B** $1.75 **C** $2.00 **D** $2.25

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11 The following information is available for a limited company.

	$000
retained earnings (opening balance)	238
dividend paid	120
dividend proposed	150
revaluation gain from properties	72
profit for the year	184

What is the retained earnings balance at the end of the year?

A $152 000 **B** $224 000 **C** $302 000 **D** $374 000

12 Which items might appear in a statement of changes in equity?

1 issue of bonus shares

2 proposed dividend

3 purchase of non-current assets

4 revaluation of property during the year

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

13 What is shown in the statement of financial position?

A dividends paid to shareholders

B profit attributable to ordinary shareholders

C revaluation reserve created for buildings

D transfers to the general reserves for the year

14 A limited company provides the following information.

	$000
profit from operations	4800
finance charges	(400)
tax	(1100)
profit for the year	3300

The company has 6 000 000 $1 ordinary shares in issue.

What are the earnings per share?

A $0.55 **B** $0.617 **C** $0.733 **D** $0.80

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15 A company provided the following information.

	$
profit from operations	450 000
debenture interest	(55 000)
	395 000
transfer to general reserve	(75 000)
preference dividend	(15 000)
ordinary dividend paid	(125 000)

What is the dividend cover?

A 2.82 times **B** 3.04 times **C** 3.21 times **D** 3.60 times

16 The following information is available for a limited company at the end of its financial year.

ordinary shares of $0.50 each	$100 000
price earnings ratio	10
market price per share	$4

After transferring $50 000 to a general reserve, the directors paid 50% of the remaining profit for the year as dividends.

What was the dividend per share?

A $0.075 **B** $0.15 **C** $0.20 **D** $0.40

17 A company has the following working capital information.

	days
trade payables turnover	46
trade receivables turnover	52
working capital cycle	38

What is the company's inventory turnover?

A 32 days **B** 38 days **C** 44 days **D** 136 days

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18 How is a liability of uncertain timing or amount classified under IAS37?

A contingent asset

B contingent liability

C liability

D provision

19 A company provides the following information about its inventory.

product	cost $	net realisable value $
lamp shades	1250	1000
cushions	4500	5000
rugs	5500	7500

What is the correct inventory valuation to enter in the financial statements?

A $11 000 **B** $11 250 **C** $13 500 **D** $13 750

20 A company's profit for the year is $160 000. After the end of the financial year but before the financial statements have been approved the following is revealed.

A fire in an area of the factory causes a loss of $4000.

The profit for the year included a profit on the disposal of a non-current asset of $5000. The sale proceeds had been estimated. Since the end of the year the actual sale proceeds increased the profit on disposal to $8000.

The sale proceeds had been invested in a new non-current asset costing $100 000. This will be depreciated by $25 000 per annum.

What is the revised profit for the year?

A $131 000 **B** $143 000 **C** $159 000 **D** $163 000

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21 A company is proposing to purchase a new machine which will have a payback of five years.

The following sources of finance are available.

1 an issue of convertible loan stock

2 an issue of debentures

3 an issue of ordinary shares to new shareholders

Which source(s) would ensure that control is **not** lost?

A 1 only

B 1 and 2

C 2 only

D 2 and 3

22 In July, a business had opening inventory of 10 000 units and closing inventory of 16 000 units.

The profit calculated on marginal costing principles was $220 000 and on absorption costing principles $268 000.

What was the fixed overhead absorption rate per unit?

A $8.00 **B** $13.75 **C** $16.75 **D** $22.00

23 A process has an input of 12 000 kilos at a cost of $236 400. Normal wastage is 10% of input, and this is sold for $8 per kilo.

What is the cost per kilo of output from the process?

A $18.90 **B** $19.70 **C** $21.00 **D** $21.89

24 Which statement about budgetary control is correct?

A It always adjusts the previous year's budgets for rising prices.

B It can only be applied to manufacturing situations.

C It cannot take account of varying levels of activity.

D It compares actual results with predetermined costs and revenues.

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25 A business is preparing its cash budget and provides the following information.

month	material purchases $000	monthly wages $000
January	330	200
February	360	200
March	390	200

One third of materials are paid for in the month they are purchased. The remainder are paid for two months later.

Half the wages are paid for in the month and the remainder are paid in the following month.

The business will purchase a machine costing $80 000 in March. They will pay $50 000 in March and the balance in August.

Which figure will appear as other payables in the statement of financial position at 31 March?

A $130 000 **B** $500 000 **C** $600 000 **D** $630 000

26 A business produced 9000 units. Direct materials used to produce these were 35 000 kilos at a cost of $385 000.

Standard cost information per unit for material was 5 kilos at a cost of $10 per kilo.

What is the material usage variance?

A $65 000 adverse

B $65 000 favourable

C $100 000 adverse

D $100 000 favourable

27 How is budgeted profit adjusted to calculate the actual profit?

	adverse cost variances	adverse sales variances
A	add	add
B	add	deduct
C	deduct	add
D	deduct	deduct

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28 A company produces a single product and details of the production and budget for a month were as follows.

actual output	10 000 units
budgeted direct materials (2 kilos at $4 per kilo for each unit)	$80 000
actual usage of materials	18 000 kilos
total direct material variance	$6200 favourable

What was the direct material price variance for the month?

A $1800 adverse

B $1800 favourable

C $8000 adverse

D $8000 favourable

29 A company is considering the purchase of capital equipment. It has made the following calculations **before** taking the capital cost of the equipment into account.

	$
expected net cash flows from the project	160 000
expected discounted net cash flows from the project	100 000

When the capital cost of the equipment is taken into account the project has a net present value of $5000.

What is the capital cost of the equipment?

A $95 000 **B** $105 000 **C** $155 000 **D** $165 000

30 A company purchased a machine some years ago at a cost of $150 000. It is now considering using the machine to make a new product.

Which type of cost is the original purchase price?

A incremental

B opportunity

C relevant

D sunk

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