

ACCOUNTING

9706/13

Paper 1 Multiple Choice

May/June 2017

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, 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.

- 1 A company decided not to capitalise the purchase of a stapler for use in its office.

Which accounting concept was the company applying?

- A consistency
- B duality
- C materiality
- D prudence

- 2 A trader had the following transactions in March 2017.

	\$
cash sales for the month	6 900
credit sales invoiced in March	46 200
credit sales in March not yet invoiced	800
customer orders received on 31 March	1 200
goods sent to a customer on 1 March on sale or return	1 400

What is the amount of revenue to appear in the income statement for March 2017?

- A \$53 100 B \$53 900 C \$54 500 D \$55 700

- 3 Which statements explain why depreciation might be charged on a non-current asset?

- 1 An asset could be subject to obsolescence.
- 2 The actual future disposal proceeds could differ from the estimated residual scrap value.
- 3 The estimated future replacement cost could differ from the original purchase price.

- A 1 and 2 B 1 only C 1 and 3 D 2 and 3

- 4 A trader bought a machine on 1 January 2015. He depreciated it at the rate of 10% per annum using the straight-line method, and he sold it on 1 January 2017 for \$4000. The profit on disposal was \$200.

How much had the machine cost on 1 January 2015?

- A \$4560 B \$4750 C \$5040 D \$5250

- 5 The following information relates to non-current assets.

	\$
net book value at 1 January 2016	20 000
net book value at 31 December 2016	18 000
receipts from disposals	3 500
assets bought	9 700
loss on disposal	650

What is the depreciation charge for the year?

- A** \$3550 **B** \$4200 **C** \$7550 **D** \$8200
- 6 The purchases ledger control account had a closing balance of \$20 000. Purchases returns of \$1500 had been entered on the wrong side of the control account.

What was the correct balance?

- A** \$17 000 **B** \$18 500 **C** \$21 500 **D** \$23 000
- 7 The cash book of a business shows a debit balance of \$4200 at 30 April. A direct debit payment of \$200 for insurance appeared on the bank statement but had not yet been entered in the cash book.

A cheque paid to a supplier, correctly entered as \$650 in the cash book, appeared as \$690 on the bank statement.

What is the value of bank shown in the statement of financial position at 30 April?

- A** \$3960 **B** \$4000 **C** \$4360 **D** \$4400

- 8 A bookkeeper prepared a sales ledger control account.

The following errors were then discovered.

- 1 An invoice posted to an individual customer's account had been recorded as \$95 instead of \$59.
- 2 The total of receipts from customers had been undercast by \$200.
- 3 Discount received from suppliers had been included in the control account.
- 4 A provision for doubtful debts had been included in the control account.

Which errors would result in the closing balance on the control account failing to agree with the total of the customers' account balances?

- A** 1, 2, 3 and 4
B 1, 2 and 3 only
C 1 and 4 only
D 3 and 4 only
- 9 A business maintains a mark-up of 40%. The following information was available for the year.

	\$
revenue	280 000
inventory at start	44 000
purchases	175 000

What was the value of closing inventory?

- A** \$19 000 **B** \$37 000 **C** \$51 000 **D** \$69 000
- 10 A business does not include a prepayment for rent receivables in its financial statements at the end of the year.

Which effects does this have?

	current assets	current liabilities	profit for the year
A	no effect	overstated	understated
B	no effect	understated	overstated
C	overstated	no effect	overstated
D	understated	no effect	overstated

11 The following is an extract from the trial balance of a business at 31 May 2017.

	\$
trade receivables	72 000
provision for doubtful debts	3 250

A customer owing \$5000 has been declared bankrupt. The provision for doubtful debts is to be maintained at 5% of trade receivables.

Which amount should be included in the financial statements at 31 May 2017?

	income statement (expense) \$	statement of financial position (current assets) \$
A	3 350 expense	63 650
B	3 350 expense	66 900
C	5 100 expense	63 650
D	5 100 expense	66 900

12 Where should a partner's drawings be recorded?

- A** appropriation account
- B** income statement
- C** partner's capital account
- D** partner's current account

13 L and M are in partnership. Their profit and loss appropriation account shows the following.

	L \$	M \$	total \$
interest on capital	1 600	1 800	3 400
interest charged on drawings	500	400	900
partners' salaries	2 000	3 000	5 000
share of profit	8 000	12 000	20 000

What is the profit for the year before appropriations?

- A** \$17 500
- B** \$22 500
- C** \$27 500
- D** \$29 300

- 14 X and Y were in partnership sharing profits equally. Z became a partner and all three partners shared profits equally.

Goodwill was valued at \$90 000. No goodwill account is to be retained in the books of account.

Which statement describes the effect on capital accounts when Z was admitted?

- A The capital accounts of X and Y increase by \$15 000 each, the capital account of Z will reduce by \$30 000.
 - B The capital accounts of X and Y increase by \$30 000 each.
 - C The capital accounts of X and Y increase by \$45 000 each.
 - D The capital account of Z reduces by \$90 000.
- 15 A company has a debenture (2020).

Which description of this is correct at 31 December 2016?

- A a current liability with a fixed rate of interest
 - B a current liability with a variable rate of interest
 - C a non-current liability with a fixed rate of interest
 - D a non-current liability with a variable rate of interest
- 16 A limited company made the following issues of shares.

bonus issue of 20 000 ordinary shares of \$0.50 each

rights issue of 10 000 ordinary shares of \$0.50 each at a price of \$0.75 each

By how much did the issues increase the equity of the company?

- A \$5000 B \$7500 C \$15 000 D \$17 500
- 17 What would **not** be included in a statement of changes in equity for a limited company?
- A dividends paid
 - B issue of ordinary share capital
 - C profit for the year
 - D repayment of a debenture

18 The following items appear on a statement of financial position.

	\$
inventory	20 000
balance at bank	2 000
cash in hand	1 500
trade payables	11 000
provision for doubtful debts	500

The current ratio is 3 : 1.

How much do the trade receivables owe?

- A** \$9500 **B** \$10 000 **C** \$12 000 **D** \$12 500

19 A company's financial statements show the following.

	\$
sales	570 000
cost of goods sold	210 000
operating expenses	65 000
non-current assets	250 000
capital employed	310 000

What is the non-current asset turnover?

- A** 1.18 times **B** 1.24 times **C** 1.44 times **D** 2.28 times

20 The manufacture of product X incurs a specific cost. Data relating to this is as follows.

units produced	6000	9000
cost per unit	\$3	\$2

Of which cost is this an example?

- A** fixed
B semi-variable
C stepped
D variable

21 A business values inventory using the AVCO method. The following information is available.

August 1	inventory of 6 units at \$14.40 each
4	purchased 9 units at \$18.40 each
6	sold 5 units at \$20.20 each

What was the cost of the goods sold?

- A** \$72 **B** \$84 **C** \$92 **D** \$101

22 The labour costs of a company are based on hours worked plus a bonus scheme. The production workers all earn the same rate and bonus.

The daily rate is \$6 per hour for an 8-hour day, 5 days per week.

The bonus is based on the number of units produced above 2000 units in a week at a rate of \$2 per 100 units.

In one week each worker produces 2600 units. All workers work the full number of hours.

What will be the week's gross wage for **one** worker?

- A** \$240 **B** \$252 **C** \$292 **D** \$304

23 Actual production is less than forecast production.

Which cost is higher than forecast?

- A** fixed cost per unit
B total fixed cost
C total variable cost
D variable cost per unit

24 The following information is available for a business.

budgeted sales per month	500 units
selling price per unit	\$30
variable cost per unit	\$24
budgeted monthly fixed costs	\$600

The business plans to rent a machine which will increase monthly fixed costs to \$2400 and reduce variable costs to \$18 per unit.

What will be the effect on the margin of safety of the business?

- A increase by 100 units
- B increase by 150 units
- C reduce by 100 units
- D reduce by 150 units

25 The following information concerning a product is available.

	\$ per unit
selling price	10.00
variable labour costs	3.50
production material costs	2.50
break-even point	2500 units

What is the total fixed cost?

- A \$10 000
- B \$15 000
- C \$16 250
- D \$18 750

26 The data shows the budget of a small manufacturing company.

sales in units	6 000	12 000
	\$	\$
direct materials	18 000	36 000
direct labour	6 000	12 000
production overheads	33 000	45 000
administrative overheads	27 000	27 000

The units are sold for \$16 each.

What is the break-even point in units?

- A** 2700 **B** 3000 **C** 4000 **D** 4800

27 A company uses direct labour hours to calculate the overhead absorption rate.

What results in over-absorption?

- 1 actual overheads exceed budgeted overheads
- 2 actual overheads are less than budgeted overheads
- 3 budgeted production is greater than actual production
- 4 budgeted production is less than actual production

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

28 A company's limiting factor is production materials. It manufactures three different products.

Which product should it manufacture first in order to maximise profits?

- A** the product making the highest contribution per kilo of materials
B the product making the highest number of unit sales
C the product making the most contribution per unit
D the product using the least materials per unit

29 The following information has been provided for the year.

	\$
sales	400 000
variable costs	240 000
total contribution	160 000
fixed administrative expenses	90 000
fixed selling expenses	50 000
profit for the year	20 000

The company plans to increase the selling price by 10%.

By how much will profit for the year increase?

- A** 10% **B** 55% **C** 80% **D** 200%

30 Which is **not** a function of a budget?

- A** helping maintain accurate double entry accounts
- B** helping monitor and control operations
- C** providing a financial plan for the business
- D** providing a way to allocate resources

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