Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **October/November 2021**

1 hour

You must answer on the multiple choice answer sheet.

4676402514

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

1 A company does not include in the financial statements the value of skills gained by its employees from training programmes.

Which accounting concept is being applied?

A consistency

B materiality

C money measurement

D substance over form

2 The following transactions took place.

1 owner's withdrawal of inventory for private use

2 purchase of new shop fixtures on credit

3 writing off an irrecoverable debt

Which transactions would be recorded in the general journal?

A 1, 2 and 3 **B** 1 and 2 only **C** 1 only **D** 2 and 3 only

3 The accounting year end of a company is 31 December.

The company purchased a motor vehicle on 1 January 2020 and incurred the following costs.

1 cost, $30 000, of which half was paid by cheque. The balance was paid by a bank loan. Loan interest for the year ended 31 December 2020 was $2500.

2 delivery cost, $2000

3 engine improvement cost, $4000

4 repair and maintenance costs for three years, $5000

The motor vehicle was to be depreciated by 20% per annum using the straight-line method.

What is the depreciation charge for the year ended 31 December 2020?

A $4200 **B** $7200 **C** $7700 **D** $8200

4 A business sold a non-current asset. It had been purchased for $15 000 and had an estimated life of 10 years, with no residual value. It was depreciated using the straight-line method.

It was sold after six years.

Disposal costs were $1000 and there was a profit on disposal of $3000.

What was the sale price?

A $8000 **B** $9000 **C** $10 000 **D** $13 000

5 Which statements about a depreciation charge for the year are correct?

1 It is a non-monetary expense.

2 It is debited to the provision for depreciation account.

3 It is only provided on non-current assets with an estimated useful life.

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

6 The sales ledger control account of a business showed a debit balance of $26 400.

This did not agree with the total of the sales ledger balances.

The following items appeared in the sales ledger accounts but had been omitted from the sales ledger control account.

1 a contra item, $340

2 discount allowed, $56

3 dishonoured cheque, $62

4 irrecoverable debt written off, $438

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

A $25 504 **B** $25 628 **C** $26 066 **D** $26 308

7 Which are reasons for preparing a trial balance?

1 to assist in the preparation of draft financial statements

2 to detect all errors in the books of account

3 to find out the balance of the suspense account

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

8 The following information is available for the telephone account for the year ended 31 December 2020.

	at 1 Jan 2020 $	at 31 Dec 2020 $	payments and refund $
accrual	2000	5000	
prepayment	1000	3000	
payments made			19 000
amount refunded			500

What was the telephone expense for 2020?

A $9500 **B** $17 500 **C** $19 500 **D** $21 500

9 A trader calculated his draft profit for the year as $16 000. The following items had not been adjusted.

1 decrease in prepaid insurance, $400

2 increase in closing inventory, $1200

3 decrease in provision for doubtful debts, $120

4 increase in accrued rent receivable, $300

What was the profit for the year after adjusting for these items?

A $16 620 **B** $16 980 **C** $17 220 **D** $17 780

10 An item of capital expenditure has been incorrectly treated as revenue expenditure in the financial statements of a business.

What is the effect of this error on the financial statements?

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

11 The following information is available for a business.

	$
at the start of the year	
non-current assets	45 000
current assets	17 800
current liabilities	11 300
for the year	
drawings	5 000
profit for the year	6 950

What is the closing balance on the capital account at the year end?

A $49 550 **B** $53 450 **C** $72 150 **D** $76 050

12 A trader did not keep full accounting records. The following information was available for 2020.

	$
trade payables on 1 January	32 785
trade payables on 31 December	43 630
payments to suppliers during the year	72 830
discounts received during the year	3 450

What was the value of purchases?

A $58 535 **B** $65 435 **C** $80 225 **D** $87 125

13 How would the following transactions affect the owner's equity of a sole trader?

	paying the owner's personal motoring costs from the business bank account	taking a long-term loan to finance the purchase of new business machinery
A	decrease	no effect
B	decrease	increase
C	increase	no effect
D	no effect	decrease

14 A partner is retiring from a partnership business.

What is the correct accounting treatment for goodwill if no goodwill is retained in the books of account?

	old partners' capital accounts	new partners' capital accounts
A	credit in old profit-sharing ratio	debit in new profit-sharing ratio
B	credit in old profit-sharing ratio	debit in old profit-sharing ratio
C	debit in new profit-sharing ratio	credit in new profit-sharing ratio
D	debit in old profit-sharing ratio	credit in new profit-sharing ratio

15 X, Y and Z are in partnership sharing profits and losses equally.

At 31 December 2020, X had a capital account balance of $100 000 and a current account credit balance of $80 000. On 1 January 2021 X retired. Non-current assets and goodwill were revalued upwards by a total of $60 000.

X left half the amount due to her on retirement as a loan to the partnership. The balance was paid to her by cheque.

How much was X paid?

A $40 000 **B** $60 000 **C** $100 000 **D** $120 000

16 A company had share capital of 100 000 ordinary shares of $1 each at the start of its financial year.

The following transactions took place during the year.

1 An issue of 50 000 ordinary shares at $1.40 each was made.

2 A bonus issue of 15 000 ordinary shares of $1 each was then made.

3 A 12% debenture of $100 000 was issued.

4 A bank loan of $75 000 was repaid.

What was the net cash inflow from these transactions?

A $75 000 **B** $95 000 **C** $110 000 **D** $210 000

17 A company paid an ordinary share dividend of $15 000 in the year.

Where would it appear in the financial statements?

A as a finance cost in the income statement

B as an administrative expense in the income statement

C under retained earnings in the statement of changes in equity

D under share capital in the statement of changes in equity

18 The equity of a limited company is shown.

	start of the year $	end of the year $
ordinary shares of $1 each	200 000	250 000
retained earnings	77 000	112 000
total equity	277 000	362 000

During the year the following transactions took place.

1 A bonus issue of one ordinary share for every four ordinary shares held was made.

2 Debenture interest of $18 000 was paid.

3 An interim dividend of $22 000 was paid.

What was the profit for the year?

A $57 000 **B** $107 000 **C** $125 000 **D** $157 000

19 The following information is available.

sales	$250 000
purchases	$120 000
average inventory	$20 000
mark-up	25%

What is the rate of inventory turnover?

A 6.0 times

B 9.4 times

C 10.0 times

D 12.5 times

20 The trade receivables turnover of a business has been calculated for two years.

	turnover in days
this year	60
last year	50

What is a possible reason for the change?

A increased levels of discounts received

B increased profit margins

C increased cash sales volume

D customer liquidity problems

21 A manufacturing company employs 20 workers who are paid a basic rate of $30 per hour for a 40-hour week. To meet a special order, the workers each worked 50 hours and were paid a premium of 40% over basic rate for the overtime.

What was the value of wages paid to meet the special order?

A $30 000 **B** $32 400 **C** $33 600 **D** $42 000

22 A company paid the following telephone costs.

month	number of customer enquiries	total cost $
1	250 000	425 000
2	350 000	575 000

Telephone costs are a semi-variable cost.

What would be the total telephone costs incurred for 305 000 enquiries?

A $501 071 **B** $507 500 **C** $508 333 **D** $518 500

23 Which statements are correct?

1 When output increases, fixed costs per unit decrease.

2 When output increases, variable costs per unit stay the same.

3 When output decreases, total fixed costs stay the same.

4 When output decreases, total variable costs decrease.

A 1, 2, 3 and 4

B 1 and 2 only

C 1, 3 and 4 only

D 2 and 3 only

24 A company's fixed overheads details were as shown.

	hours	fixed overheads $
budget	10000	150000
actual	11000	170000

What was the over or under absorption of fixed overheads?

A $5000 over absorbed

B $5000 under absorbed

C $15000 over absorbed

D $15000 under absorbed

25 The following budgeted data is available for July 2021.

	$
direct labour ($20 per hour)	80000
indirect labour	12000
factory expenses	36000
depreciation on machinery	30000
depreciation on office equipment	18000
administrative expenses	44000

What is the budgeted overhead absorption rate per direct labour hour?

A $19.50 **B** $24 **C** $35 **D** $39.50

26 The following budgeted information is available for a business.

	$
revenue	650 000
variable costs	390 000
fixed non-production cost	150 000
fixed selling and distribution costs	90 000

What is its budgeted break-even sales revenue?

A $250 000 **B** $375 000 **C** $400 000 **D** $600 000

27 Which statements relating to marginal costing are correct?

1 Fixed production costs are included in inventory valuations.

2 Fixed production costs are fully written off as an expense.

3 Variable production costs are included in inventory valuations.

4 Variable production costs are fully written off as an expense.

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

28 A business makes and sells four products **A**, **B**, **C** and **D**.

Which product should be produced first when labour hours are **not** sufficient to produce all four products?

	selling price $	variable costs $	labour hours $
A	10	15	1
B	35	10	5
C	50	30	2
D	75	57	3

29 When does cost–volume–profit analysis inform users about cost behaviour?

A when different time periods are involved and when absorption costing is used

B when different time periods are involved and when marginal costing is used

C when the level of output changes and when absorption costing is used

D when the level of output changes and when marginal costing is used

30 Which statement about budgets is correct?

A They are usually prepared by the board of directors.

B They can identify limiting factors.

C They can only show monetary values.

D They have to be approved by shareholders.

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