



ACCOUNTING

9706/12

Paper 1 Multiple Choice

May/June 2013

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, highlighters, 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 ON 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.





- 1 In the books of account of Y, how could a credit entry of \$500 in X's account have arisen?
- A X bought goods from Y.
 - B X returned goods to Y.
 - C Y made a payment to X.
 - D Y returned goods to X.
- 2 A business paid \$5750 during its trading year for advertising. Part of this amount included \$500 in respect of the next financial year.

Which effects would the correct treatment of the \$500 have on the financial statements?

	profit for the year	net current assets
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 3 A rents its building to B.

At 31 December 2011, B owed \$4500 for rent. At 31 December 2012, B had paid \$3200 in advance. During the year A had received \$17 100 in rental from B.

What is the rental income to be shown in A's income statement for the year ended 31 December 2012?

- A \$9400 B \$15 800 C \$18 400 D \$24 800

- 4 The draft financial statements of a business show a profit for the year of \$64 000 before taking account of the following.
- 1 the reduction of the provision for doubtful debts by \$300
 - 2 the purchase of office stationery costing \$2400 which has not been entered in the records; only one sixth of this stationery was used by the year end

What is the corrected profit for the year?

- A \$61 900 B \$63 900 C \$64 100 D \$64 300



- 5 What does the application of the accounting principle of consistency ensure?
- A that all losses are provided for
 - B that assets are recorded at their actual cost
 - C that financial statements are produced annually
 - D that profits are calculated the same way each year
- 6 A trader recently purchased a non-current asset for his business at a cost of \$6500. A friend told him he could buy a similar asset on-line for \$5000. The trader is now unsure how to value the asset in the books of account.

Which principle should the trader apply?

- A accruals
 - B business entity
 - C historical cost
 - D materiality
- 7 At the financial year end of a business the following information is available.

	\$
debit balance on the bank statement	1000
unpresented cheques	300
lodgements not yet credited by the bank	600
bank charges and interest charged not yet entered in the cash book	150

What is the current balance in the cash book?

- A \$400 credit
 - B \$400 debit
 - C \$550 credit
 - D \$550 debit
- 8 Which error would result in the creation of a suspense account?
- A crediting the commission received account with rent received
 - B crediting the discounts allowed account with the discounts received
 - C debiting the bank interest paid account with bank interest received
 - D debiting the petrol account with a purchase of a new car



9 Who is most likely to use an age analysis of debtors?

- A cashier
- B credit controller
- C sales ledger supervisor
- D sales manager

10 An error of reversal is made when recording the payment of a telephone bill for \$500.

Which journal entries are required to record the correction of this error?

	debit	\$	credit	\$
A	bank	500	telephone	500
B	bank	1000	telephone	1000
C	telephone	500	bank	500
D	telephone	1000	bank	1000

11 What is included in the cost of production?

- A advertising
- B depreciation of office equipment
- C distribution expenses
- D rent of factory

12 The summarised statements of financial position for a business for two years are as follows.

	year 1	year 2
	\$	\$
non-current assets	9 000	12 000
current assets	6 000	8 000
less current liabilities	(5 000)	(6 000)
net assets	10 000	14 000

The drawings in year 1 were \$5000 and in year 2 \$3000.

What is the profit for year 2?

- A \$1000
- B \$4000
- C \$5000
- D \$7000



13 The wages of staff employed in manufacturing goods have been debited in the income statement.

What is the effect of this error?

	gross profit	profit for the year
A	overstated	no effect
B	overstated	overstated
C	understated	no effect
D	understated	understated

14 During the year ended 31 December 2012 a business made a profit of \$31 000. A dividend of 8% was paid on the 200 000 ordinary shares of \$0.50 each, and \$12 000 was transferred to general reserve.

The retained earnings of the business on 31 December 2012 amounted to \$68 000.

What was the balance of retained earnings on 1 January 2012?

A \$41 000 **B** \$57 000 **C** \$65 000 **D** \$79 000

15 X and Y have been in partnership for some years sharing profits in the ratio of 3:2. Z joins the partnership and introduces cash of \$40 000. The profit-sharing will now be X - 40%, Y - 30% and Z - 30%. Goodwill is valued at \$60 000.

After joining the partnership, what is the balance of Z's capital account?

- A** \$18 000 credit
- B** \$22 000 debit
- C** \$22 000 credit
- D** \$40 000 credit

16 Which statement about a receipts and payments account is correct?

- A** Capital expenditure is not included.
- B** Figures are adjusted for prepayments and accruals.
- C** Income appears on the debit side.
- D** It is like an income statement for a limited company.



17 A business sells some inventory for \$80 on credit. This originally cost \$50.

How does this affect the statement of financial position?

	current assets	owner's capital
A	decrease by \$30	decreases by \$30
B	decrease by \$30	increases by \$30
C	increase by \$30	decreases by \$30
D	increase by \$30	increases by \$30

18 A vehicle is sold for \$1000. It had cost \$6000 and \$2800 depreciation had been provided on it.

What is the profit or loss on disposal?

- A** loss \$2200
- B** loss \$4200
- C** profit \$2200
- D** profit \$4200

19 A company has ordinary shares of \$1 each. Each year it pays a dividend of 10% of the nominal value of the shares.

It now wishes to raise a further \$120 000 by an issue of shares. This would bring in additional profit of \$10 000 and dividends paid would increase by \$2500 a year.

At which price should the company issue the new shares to maintain the percentage of dividend?

- A** \$1.00 **B** \$1.20 **C** \$1.60 **D** \$4.80

20 An extract from a statement of financial position is as follows.

	\$
ordinary share capital	50 000
general reserve	10 000
retained earnings	4 000
10% debentures	20 000

What is the value of the shareholders' funds?

- A** \$50 000 **B** \$54 000 **C** \$64 000 **D** \$80 000



21 A company had a trade receivables collection period of 80 days in 2011 and 100 days in 2012. Total revenue was the same for both years.

Which statement explains the change?

- A Customers took advantage of cash discounts.
- B Profit margins have improved.
- C Several major customers suffered cash flow problems.
- D The company entered into a debt factoring arrangement.

22 A company's financial statements show the following.

	\$
profit from operations	160 000
finance charges	40 000
ordinary share capital	500 000
retained earnings	250 000
debentures	300 000

What is the return on capital employed?

- A 15.2% B 16% C 21.3% D 24%

23 The following information has been taken from a statement of financial position.

	\$
non-current assets	150 000
capital and reserves	170 000
current liabilities	5 000

What is the current ratio?

- A 3:1 B 4:1 C 5:1 D 6:1



- 24 A company has ordered a new machine, to be delivered in six months. In the short term, the machine hours will be a limiting factor. It has made the following calculations.

	product X	product Y	product Z
contribution per unit made	\$24	\$12	\$20
machine hours used per unit	6	1	2

What will be the most profitable ranking order for production?

- A X → Y → Z
 - B X → Z → Y
 - C Y → Z → X
 - D Z → Y → X
- 25 The following data is available for the production department of a manufacturing company. Overheads are absorbed on a direct labour hour basis.

	direct labour hours	total overhead costs \$
budgeted	96 000	242 880
actual	97 600	253 760

What is the over or under absorption of overheads for the period?

- A \$6832 over absorbed
 - B \$6832 under absorbed
 - C \$10 880 over absorbed
 - D \$10 880 under absorbed
- 26 The following information applies to a business.

output (units)	sales \$	profits \$
375	750 000	100 000
500	1 000 000	250 000

What is the contribution to sales ratio?

- A 25%
- B 40%
- C 50%
- D 60%



27 A business produces one product.

The following details are available for the budgeted production of 150 000 units.

	\$
selling price per unit	1.20
variable cost per unit	0.70
fixed cost per unit	0.20

What is the break-even point in sales value?

- A** \$30 000 **B** \$60 000 **C** \$72 000 **D** \$180 000

28 A business provides the following information.

month	number of machine hours	overheads \$
April	34 000	493 000
May	67 000	625 000

The variable overhead rate per machine hour was \$4.

What was the monthly fixed overhead cost?

- A** \$132 000 **B** \$136 000 **C** \$268 000 **D** \$357 000

29 Which business would use a job costing system of accounting?

- A** a chocolate factory
- B** a dairy milk farmer
- C** a house builder
- D** an oil refinery



30 A company plans to make the following payments in June 2014.

- 1 an insurance premium for the 12 months from 1 July 2014
- 2 the payment for equipment to be delivered in April 2014 and which will start production in May 2014

In which months will these appear in the cash budget for 2014?

	1	2
A	June	April
B	June	June
C	July	April
D	July	May





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