



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education  
Advanced Subsidiary Level and Advanced Level

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**ACCOUNTING**

**9706/13**

Paper 1 Multiple Choice

**May/June 2010**

**1 hour**

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



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**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.

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.

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This document consists of **10** printed pages and **2** blank pages.



- 1 A business has a bank overdraft of \$4800. It pays for materials invoiced at \$3000 less a trade discount of 20 % and a settlement discount of 5%.

A cheque for \$500 is received from a debtor.

What is the bank balance after these transactions?

- A \$2020 overdraft
- B \$6580 overdraft
- C \$7150 overdraft
- D \$7580 overdraft

- 2 Which of the following items will be debited to accounts in the purchases ledger?

- 1 discount allowed
- 2 payments to suppliers
- 3 purchases
- 4 purchases returns

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

- 3 The personal spending of the owner of a business is **not** recognised as a business expense.

Which accounting principle is being applied?

- A business entity
- B consistency
- C money measurement
- D prudence

- 4 A business obtained a machine by means of a hire purchase agreement. It showed the machine in its balance sheet at the cash price of \$30 000 although only \$10 000 has been repaid.

Which accounting principle is involved?

- A accruals
- B materiality
- C prudence
- D substance over form

- 5 The table shows information from the books of a business at 30 April 2010.

details	\$
credit sales invoiced during financial year	79 000
goods sent to customers on 28 April 2010 and invoiced 4 May 2010	6 100
goods sent to customers during April 2010 on sale or return basis but not sold by 30 April 2010	8 300

What is the amount of sales for the year ended 30 April 2010?

- A** \$76 800      **B** \$85 100      **C** \$85 300      **D** \$93 400
- 6 Which item will be entered in a purchase ledger control account?
- A** discount allowed  
**B** discount received  
**C** prepaid rent  
**D** returns inwards
- 7 The total of the list of individual balances in the purchase ledger does not agree with the balance on the purchase ledger control account.
- When listing the individual suppliers' accounts a credit balance had been shown as a debit balance.
- What is needed to correct the mistake on the total of the purchase ledger balances?
- A** decrease by the amount of the credit balance  
**B** decrease by twice the amount of the credit balance  
**C** increase by the amount of the credit balance  
**D** increase by twice the amount of the credit balance
- 8 Which error will cause an entry in the suspense account?
- A** a transposition error when transferring a ledger account balance to the trial balance  
**B** an error of commission where the wrong account is used for a transaction but it is the correct type of account  
**C** an error of omission  
**D** an error of principle

- 9 A trial balance at 31 December shows:

	debit \$	credit \$
trade receivables (debtors) control account	48 500	2 900
trade payables (creditors) control account	3 600	34 800

It is then found that an invoice, \$900, issued to a debtor on 27 December, has not been entered in the accounting records.

What is the correct figure for trade receivables (debtors) in the balance sheet at 31 December?

- A** \$46 500      **B** \$49 400      **C** \$51 200      **D** \$53 000
- 10 During the year ended 31 December, a sports club received \$10 860 for subscriptions.

The following further information is available.

	year ended 31 December	
	start of year \$	end of year \$
subscriptions owing	580	870
subscriptions received in advance	1 640	1 220

What is the figure for subscriptions in the Income and Expenditure Account for the year ended 31 December?

- A** \$10 150      **B** \$10 510      **C** \$11 570      **D** \$12 270
- 11 A firm has incomplete accounting records. The following figures are known.

	\$
capital at start of year	20 000
owner's drawings	7 000
capital at end of year	30 000

How much profit has the firm made during the year?

- A** \$7000      **B** \$17 000      **C** \$27 000      **D** \$30 000

- 12 A company calculates factory profit at a mark-up of 20 % on the cost of production. The following information is available.

	\$
inventory (stock) of finished goods at cost at 31 December 2007	40 000
cost of goods produced for the year to 31 December 2008	240 000
closing inventory (stock) of finished goods at cost plus factory profit at 31 December 2008	54 000

How much will be shown as factory profit in the accounts for the year ended 31 December 2008?

- A \$39 000      B \$40 000      C \$47 000      D \$48 000
- 13 The table shows transactions relating to an inventory (stock) item during a period.

	number of units	per unit
bought	100	cost \$16
sold	60	selling price \$25

Of the remaining units, 20 are damaged and can only be sold for \$10 each.

What is the profit for the period?

- A \$220      B \$300      C \$420      D \$540
- 14 X, Y and Z are in partnership sharing profits and losses in the ratio 5 : 2 : 3. Y is entitled to a salary of \$18 000 per annum. Partners receive interest at 6 % per annum on their capital account balances at the start of the year.

At the beginning of the year, capital account balances were:

X \$30 000

Y \$22 000

Z \$20 000

The net profit before salary and interest for the year is \$140 000.

What is Y's share of the total profits?

- A \$23 536      B \$28 000      C \$42 856      D \$46 000

15 L and M are in partnership.

Which item should appear in the partnership appropriation account?

- A additional capital contributed by M
- B cash drawings of L and M during the year
- C salary due to L
- D salary paid to M's wife

16 A company is set up with an authorised share capital of \$3 million.

It plans to purchase immediately a factory for \$1 million. Preliminary expenses will be \$100 000 and the immediate requirement for working capital will be \$800 000. It will also require new equipment costing \$600 000 in 12 months time.

What is the minimum amount the company needs to raise now?

- A \$1 000 000    B \$1 900 000    C \$2 500 000    D \$3 000 000

17 At 1 January 2009 the capital structure of a company was as follows.

	\$
issued share capital 100 000 ordinary shares of \$1 each	100 000
share premium account	30 000

On 1 April 2009 the company made a rights issue of 20 000 shares of \$1 each for \$36 000.

On 1 June 2009 a bonus issue of one share for every six in issue was made. The share premium account was used for this purpose.

What is the balance on the share premium account at 31 December 2009?

- A \$26 000    B \$34 000    C \$46 000    D \$56 000

18 When is a share premium account opened?

- A when shares are issued at a price above nominal value
- B when shares are redeemed by the company at a premium
- C when shares are sold by a shareholder at a price above their nominal value
- D when the company issues bonus shares

19 A company buys and re-sells goods. It has a higher gross profit margin than its rivals.

Which reason could explain this?

- A Rival companies pay less for goods than the company.
- B Rival companies spend less on advertising than the company.
- C The Company charges a higher selling price than its rivals.
- D The Company charges a lower price than its rivals.

20 A business has trade payables (creditors) of \$8000 and a bank overdraft of \$2000. Its current ratio is 2:1 and its quick (acid test) ratio is 1.5:1.

What is the value of its inventory (stock)?

- A \$4000
- B \$5000
- C \$28 000
- D \$35 000

21 A company's sales during a 365 day year are shown in the table.

	\$
cash sales	179 580
credit sales	927 100
total sales	1 106 680

The trade receivables (debtors) turnover ratio at the year end is 42 days.

What is the end-of-year trade receivables (debtors) balance?

- A \$22 074
- B \$98 460
- C \$106 680
- D \$127 344

22 The following information is given about four products.

Which product makes the most gross profit?

	inventory (stock) turnover (per annum)	average inventory (stock) in units	mark up on cost %
<b>A</b>	8 times	1000	15
<b>B</b>	6 times	1000	30
<b>C</b>	7 times	1000	25
<b>D</b>	10 times	1000	20

- 23** A soup manufacturer uses batch costing. It produces a batch of 10 000 tins of soup with a direct materials cost of \$2500.

Direct labour involved 200 hours at a cost of \$2000, and overheads are absorbed at the rate of \$15 per direct labour hour.

What is the cost of a tin of soup?

- A** \$0.25      **B** \$0.45      **C** \$0.55      **D** \$0.75

- 24** The table shows costs at three activity levels.

activity levels	65 units	90 units	100 units
	\$	\$	\$
fixed cost	?	?	?
variable cost	?	?	?
total cost	15 600	19 600	21 200

What is the fixed cost?

- A** \$1600      **B** \$4000      **C** \$5200      **D** \$5600

- 25** A customer places an order for 20 000 bricks.

Which costing method will the supplier use to price the order?

- A** batch  
**B** job  
**C** marginal  
**D** unit

- 26** A company has total production costs of \$6000 to make 10 000 units, and \$13 000 to make 24 000 units.

What is its total cost to make 20 000 units?

- A** \$1000      **B** \$10 000      **C** \$11 000      **D** \$12 000

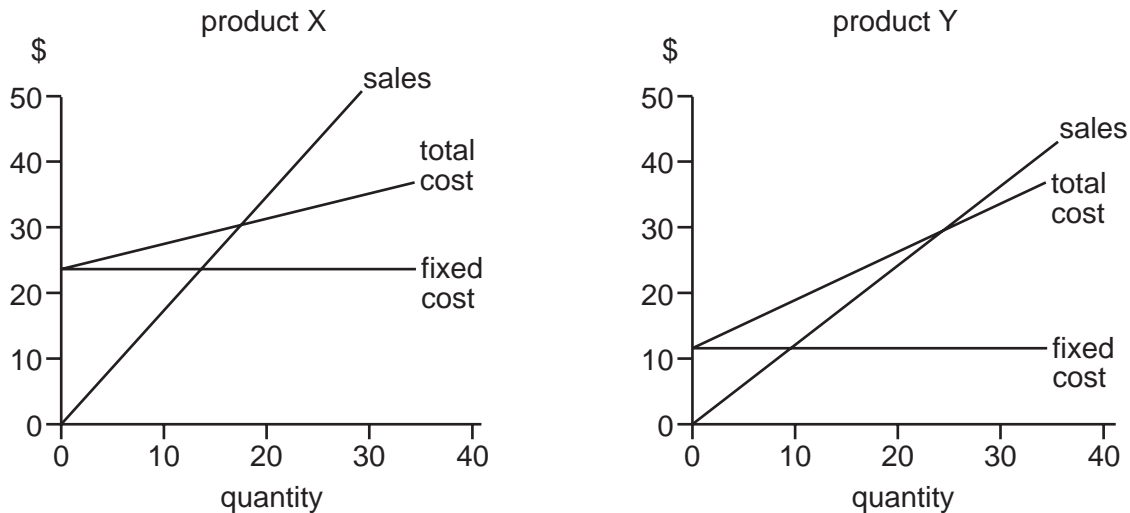


- 27 A business makes wedding dresses. Each machinist is paid \$30 a day and each supervisor \$40 a day. Each supervisor can work with up to 10 machinists and each machinist can produce one wedding dress a day.

If 95 wedding dresses a day are produced, what is the daily labour cost?

- A \$2850      B \$3210      C \$3230      D \$3250

- 28 The graphs show projected sales and cost information for products X and Y.



Which statement most accurately interprets the graphs?

- A Product X breaks even at a higher number of units sold than product Y.  
 B Product X has lower fixed costs than product Y.  
 C Product X has a lower selling price per unit than product Y.  
 D Product X has a lower variable cost per unit than product Y.
- 29 A business purchases a vehicle for \$10 000. The business depreciates its non current (fixed) assets at 20% using the diminishing value method.

What is the depreciation charge for year 2?

- A \$1600      B \$2000      C \$6400      D \$8000

- 30 An item of capital expenditure has been incorrectly treated as revenue expenditure in the accounts of a business.

What is the effect of this error on the accounts of the business?

	assets	profit
<b>A</b>	overstated	overstated
<b>B</b>	overstated	understated
<b>C</b>	understated	overstated
<b>D</b>	understated	understated



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