ACCOUNTING

Paper 1 Multiple Choice

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.
1 Which item should be treated as capital expenditure?
   A the cost of a printer for an existing computer system
   B repair costs to a car which are not covered by insurance
   C rent paid on a factory, whilst the company negotiated the purchase of the factory
   D the replacement of a wooden fence with a new fence

2 A trader depreciates fixtures and fittings at the rate of 10% a year on cost. On 1 January 2014 a purchase of new fixtures and fittings, $5000, was posted to the advertising account in error.

What was the effect of this error on the trader’s capital account on 31 December 2014?
   A overstated $4500
   B overstated $5000
   C understated $4500
   D understated $5000

3 Non-current assets of a company were as follows.

<table>
<thead>
<tr>
<th></th>
<th>start of year $</th>
<th>end of year $</th>
</tr>
</thead>
<tbody>
<tr>
<td>at cost</td>
<td>460000</td>
<td>505000</td>
</tr>
<tr>
<td>accumulated depreciation</td>
<td>215000</td>
<td>237000</td>
</tr>
<tr>
<td>net book value</td>
<td>245000</td>
<td>268000</td>
</tr>
</tbody>
</table>

During the year non-current assets costing $92000 were purchased and non-current assets with a net book value of $16000 were sold.

What was the depreciation charge for the year?
   A $22000  B $23000  C $53000  D $69000
4 A business provides the following information.

<table>
<thead>
<tr>
<th></th>
<th>trade receivables $</th>
<th>provision for doubtful debts $</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2013</td>
<td>46 200</td>
<td>1386</td>
</tr>
<tr>
<td>31 December 2014</td>
<td>43 100</td>
<td>1724</td>
</tr>
</tbody>
</table>

Which statement must be correct?

A  The rate of provision for doubtful debts has decreased.
B  The rate of provision for doubtful debts has increased.
C  The value of bad debts incurred has decreased.
D  The value of bad debts incurred has increased.

5 The following information relates to a manufacturing business.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>factory overheads</td>
<td>590 000</td>
</tr>
<tr>
<td>prime cost</td>
<td>200 000</td>
</tr>
<tr>
<td>work in progress at start of year</td>
<td>83 000</td>
</tr>
<tr>
<td>work in progress at end of year</td>
<td>65 000</td>
</tr>
</tbody>
</table>

What was the cost of production?

A  $1 392 000  B  $1 428 000  C  $2 572 000  D  $2 608 000

6 A summary of a trader’s bank statements for his first year of trading showed the following amounts.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>receipts from credit customers</td>
<td>25 000</td>
</tr>
<tr>
<td>takings from cash sales banked</td>
<td>82 000</td>
</tr>
</tbody>
</table>

The trader took $2000 a month from takings as drawings before banking them. Trade receivables at the year end amounted to $9500.

What was total revenue for the year?

A  $73 500  B  $92 500  C  $121 500  D  $140 500
7 A business uses the AVCO method of inventory valuation.

When is the average cost per unit calculated?

A when the cost price decreases  
B when the cost price increases  
C when units are issued  
D when units are received

8 A business maintains control accounts as part of its double entry system.

Which error would cause an entry in the suspense account?

A A page total from the purchases journal was posted as $9780 rather than the correct figure of $9870.  
B Carriage outwards is credited to the carriage outwards account but correctly accounted for in the cash book.  
C Discounts allowed are debited to the discounts allowed account and credited to the purchases ledger control account.  
D Repairs to a vehicle are debited to the vehicles account.

9 An electricity accrual of $375 was treated as a prepayment in preparing a trader’s income statement.

What was the effect on profit?

A overstated by $375  
B overstated by $750  
C understated by $375  
D understated by $750

10 The following information is taken from the rent account of a business.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>rent prepaid at the beginning of the year</td>
<td>1400</td>
</tr>
<tr>
<td>rent paid during the year</td>
<td>13900</td>
</tr>
<tr>
<td>rent accrued at the end of the year</td>
<td>800</td>
</tr>
</tbody>
</table>

What is the rent expense for the year?

A $11700  
B $13300  
C $14500  
D $16100
11 A business has the following assets and liabilities at the start of the year.

- a motor car valued at $2500
- inventory which cost $4000 with a sale value of $5800
- bank overdraft of $500
- a loan to a friend from the business bank account $1000

What is the capital account balance at the start of the year?

A $5000  B $7000  C $8000  D $8800

12 A business buys a non-current asset and decides to apply the straight-line method of depreciation. The accountant forgets to include an estimate of scrap value in the calculation.

Which statements are correct?

1 The annual depreciation charge is too high.
2 The annual depreciation charge is too low.
3 There is likely to be a loss on disposal in the future.
4 There is likely to be a profit on disposal in the future.

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

13 What will increase profit?

A increasing depreciation rates
B increasing the general reserve
C increasing the provision for doubtful debts
D increasing the value of closing work-in-progress

14 The provisions of the Partnership Act apply if partners do not draw up a partnership agreement.

Which statement is true as a provision of the Partnership Act?

A Interest on drawings is charged at 5% a year.
B Interest on loans from partners is to be at 8% a year.
C Partners are not entitled to salaries.
D Profits are to be shared in the ratio of fixed capitals.
15 Adil and Bashir are in partnership sharing profits and losses in the ratio 2:1.

Chandra joins the partnership and profits and losses are now to be shared between Adil, Bashir and Chandra in the ratio 3:2:1.

The balances of the partners' capital accounts prior to the introduction of Chandra are as shown.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adil</td>
<td>20000</td>
</tr>
<tr>
<td>Bashir</td>
<td>10000</td>
</tr>
</tbody>
</table>

Goodwill is to be valued at $36 000 and is not to be retained in the books of account.

What is the balance on Adil's capital account after the introduction of Chandra?

A $20 000  
B $26 000  
C $38 000  
D $44 000

16 The table shows the assets and liabilities of a club.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>non-current assets</td>
<td>10000</td>
</tr>
<tr>
<td>cash at bank</td>
<td>6400</td>
</tr>
<tr>
<td>electricity owing</td>
<td>600</td>
</tr>
<tr>
<td>rent prepaid</td>
<td>900</td>
</tr>
<tr>
<td>subscriptions:</td>
<td></td>
</tr>
<tr>
<td>in arrears</td>
<td>5700</td>
</tr>
<tr>
<td>in advance</td>
<td>3800</td>
</tr>
</tbody>
</table>

How much is the accumulated fund?

A $14 200  
B $14 800  
C $18 000  
D $18 600

17 A company issues 100 000 ordinary shares of $1 each at a premium of $2. The market value is $4 per share.

Which statement is not correct?

A Capital reserves increase by $200 000.  
B Funds available increase by $300 000.  
C Ordinary share capital increases by $100 000.  
D Revenue reserves increase by $400 000.
18 A business provides the following information.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>revenue</td>
<td>600000</td>
</tr>
<tr>
<td>raw materials purchased</td>
<td>400000</td>
</tr>
<tr>
<td>trade payables</td>
<td>40000</td>
</tr>
<tr>
<td>trade receivables</td>
<td>50000</td>
</tr>
</tbody>
</table>

90% of revenue is from credit sales.

80% of purchases are on credit terms.

How long, to the nearest day, does the business take to pay suppliers who give it credit?

A 31 days  
B 34 days  
C 37 days  
D 46 days

19 A trader provides the following information for the year.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>inventory 1 January</td>
<td>$15125</td>
</tr>
<tr>
<td>inventory 31 December</td>
<td>$22185</td>
</tr>
<tr>
<td>ordinary goods purchased</td>
<td>$65500</td>
</tr>
<tr>
<td>gross profit % on sales</td>
<td>25%</td>
</tr>
</tbody>
</table>

What is the value of sales for the year?

A $73050  
B $77920  
C $90700  
D $96747

20 A business provides the following information.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>opening inventory</td>
<td>15000</td>
</tr>
<tr>
<td>purchases</td>
<td>120000</td>
</tr>
<tr>
<td>closing inventory</td>
<td>(25000)</td>
</tr>
<tr>
<td></td>
<td>110000</td>
</tr>
</tbody>
</table>

What is the rate of inventory turnover?

A 4.4 times  
B 4.8 times  
C 5.5 times  
D 6.0 times
21 A business provides the following information about its rate of inventory turnover.

year 1    10 times
year 2    8 times

The selling price per unit has remained constant.

Which statements are correct?

1. Inventory of goods has decreased in relation to units sold.
2. Inventory of goods has increased in relation to units sold.
3. Profit margin on a constant level of sales has decreased.
4. Profit margin on a constant level of sales has increased.

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

22 The break-even chart for a product is shown.

What does XY represent?

A  fixed costs
B  gross profit
C  profit for the period
D  variable costs

23 Which business would use a job costing system?

A a chemical plant
B a retailer of food
C a ship builder’s yard
D a wholesaler of car parts
24 Which cost relating to a manufacturing business is apportioned between its cost centres?

A depreciation of delivery vehicles
B factory power
C finance costs
D raw materials

25 A company absorbs overheads on the basis of machine hours, which are budgeted at 11,250. The budgeted overhead is $281,250.

Results show actual hours of 10,980 and overhead of $276,652.

What is the under or over absorption?

A $2,152 over absorbed
B $2,152 under absorbed
C $4,598 over absorbed
D $4,598 under absorbed

26 A manufacturing company uses the reducing balance method to calculate depreciation.

What describes the depreciation expense?

A fixed cost
B semi-variable cost
C stepped cost
D variable cost
A manufacturing company produces 10,000 units and sells 8,000 units in a year.

The selling price per unit is $30.

Total costs incurred during that year were as follows.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>direct materials</td>
<td>50,000</td>
</tr>
<tr>
<td>direct labour</td>
<td>80,000</td>
</tr>
<tr>
<td>prime cost</td>
<td>130,000</td>
</tr>
<tr>
<td>factory overhead</td>
<td>50,000</td>
</tr>
<tr>
<td>production cost</td>
<td>180,000</td>
</tr>
<tr>
<td>administration cost</td>
<td>65,000</td>
</tr>
<tr>
<td>total costs</td>
<td>245,000</td>
</tr>
</tbody>
</table>

The company uses absorption costing.

What is the value of closing inventory?

A $26,000  
B $36,000  
C $49,000  
D $60,000

The following information is available for a manufacturing company.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>budgeted direct labour hours</td>
<td>26,200</td>
</tr>
<tr>
<td>actual direct labour hours</td>
<td>28,000</td>
</tr>
<tr>
<td>budgeted overhead costs</td>
<td>$166,500</td>
</tr>
<tr>
<td>actual overhead costs</td>
<td>$172,600</td>
</tr>
</tbody>
</table>

What is the overhead absorption rate?

A $5.95    
B $6.16    
C $6.35    
D $6.59
29  The following information is available.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>sales</td>
<td></td>
<td>250000</td>
</tr>
<tr>
<td>variable production costs</td>
<td>150000</td>
<td></td>
</tr>
<tr>
<td>fixed production costs</td>
<td>30000</td>
<td>180000</td>
</tr>
<tr>
<td>gross profit</td>
<td></td>
<td>70000</td>
</tr>
<tr>
<td>fixed administrative costs</td>
<td>50000</td>
<td></td>
</tr>
<tr>
<td>profit for the year</td>
<td></td>
<td>200000</td>
</tr>
</tbody>
</table>

What is the break-even point?

A  $100,000  
B  $170,000  
C  $200,000  
D  $230,000  

30  The following forecasted data relates to the month of January 2015.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>bank on 1 January 2015</td>
<td>570 debit</td>
</tr>
<tr>
<td>depreciation of non-current assets</td>
<td>820</td>
</tr>
<tr>
<td>payments to suppliers</td>
<td>39400</td>
</tr>
<tr>
<td>revaluation of premises</td>
<td>50000</td>
</tr>
<tr>
<td>provision for doubtful receivables</td>
<td>8000</td>
</tr>
<tr>
<td>receipts from customers</td>
<td>148250</td>
</tr>
</tbody>
</table>

What is the budgeted cash balance at end of January 2015?

A  $108,280  
B  $109,420  
C  $151,100  
D  $152,240  
