Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/13**

Paper 1 Multiple Choice **October/November 2022**

1 hour

You must answer on the multiple choice answer sheet.

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.

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1 Goods, $1200, sent to a customer on a sale or return basis have not been recorded in the sales journal.

Which accounting concept has been applied?

A going concern

B matching

C materiality

D realisation

2 A business sold a non-current asset at a profit.

What are the entries to be made in a disposal account?

	debit	credit
A	non-current asset at cost bank	provision for depreciation income statement
B	non-current asset at cost income statement	provision for depreciation bank
C	provision for depreciation bank	non-current asset at cost income statement
D	provision for depreciation income statement	non-current asset at cost bank

3 On 1 January 2020 a business purchased new delivery vehicles. The following information is available.

	$
total purchase cost	300 000
cost of painting delivery vehicles in the company's colours	4 000
total annual maintenance cost	16 000

The company depreciates delivery vehicles using the reducing balance method at a rate of 40% per annum.

What is the depreciation charge for the delivery vehicles for the year ended 31 December 2021?

A $72 000 **B** $72 960 **C** $75 840 **D** $76 800

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4 The following information is available in respect of a trader's non-current assets.

	$
accumulated depreciation at 31 May 2020	40 000
depreciation charge for the year ended 31 May 2021	9 000
accumulated depreciation at 31 May 2021	46 000

During the year ended 31 May 2021, a non-current asset which had cost $10 000 was sold. There was a loss on disposal of $1200.

What were the sale proceeds?

A $5800 **B** $7000 **C** $8200 **D** $8800

5 Which error would result in an entry in the suspense account?

1 a balance is omitted when extracting the trial balance

2 an item is posted to the correct side of the wrong account

3 entries for an item are reversed

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

6 The balance of a purchases ledger control account was $7270. However, the total of the accounts of trade payables was $6860.

The following errors have been discovered.

1 A credit note received from a supplier for $100 had been omitted from the book of prime entry.

2 The discounts received column in the cash book had been understated by $50.

When these errors were corrected the balance on the purchases ledger control account still did not match the total of the accounts of trade payables.

What were the updated amounts after the corrections?

	purchases ledger control account balance $	total of the accounts of trade payables $
A	7120	6710
B	7120	6760
C	7170	6810
D	7220	6710

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7 Which group would appear only on the credit side of a sales ledger control account?

A cash refunds, contras with the purchases ledger control accounts, sales

B cash refunds, contras with the purchases ledger control accounts, sales returns

C irrecoverable debts written off, cash received, discounts allowed

D irrecoverable debts written off, cash refunds, sales

8 Owing to an issue with Question 8, it has been removed from the question paper.

9 A business has calculated its draft profit for the year.

The following information was then discovered.

1 Closing inventory had been overvalued.

2 Irrecoverable debts needed to be written off.

3 Depreciation of non-current assets needed to be reduced.

What is the effect on the profit for the year when these items are adjusted?

	closing inventory	trade receivables	depreciation reduction
A	decreased	decreased	increased
B	decreased	increased	decreased
C	increased	decreased	decreased
D	increased	decreased	increased

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10 A business makes a provision for doubtful debts of 4%. At 31 March 2021 the value of trade receivables after deducting the provision was $153 600. For the year ended 31 March 2022, there was an increase of $960 in the provision for doubtful debts.

What was the value of trade receivables at 31 March 2022 **after** deducting the provision for doubtful debts?

A $161 000 **B** $170 496 **C** $176 640 **D** $177 600

11 When preparing a sole trader's financial statements, no adjustment was made for a prepayment at the end of the year.

What is the effect of this omission?

A current assets overstated and owner's capital overstated

B current assets understated and owner's capital understated

C profit for the year overstated and trade payables understated

D profit for the year understated and trade payables understated

12 A sole trader has not kept proper accounting records for his first year of trading.

The following information is available.

	$
cash from customers	70 000
trade receivables	4 000
cash paid to suppliers	65 000
trade payables	2 000
closing inventory	20 000
expenses paid	3 000

What was the profit for the year?

A $24 000 **B** $26 000 **C** $27 000 **D** $28 000

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13 On 1 January 2022 a sole trader's inventory was valued at $4500.

On 14 April 2022 there was a fire in his business premises.

Up to 14 April 2022 his sales were $24 600 and his purchases were $16 700.

He worked on a mark-up of $33\frac{1}{3}$%.

Goods which had cost $1485 were saved from the fire. This included some goods which had cost $800 but as a result of the fire damage can now only be sold for $650.

What was the **total** inventory loss for the business?

A $1115 **B** $1265 **C** $1415 **D** $2750

14 Which items would appear on the debit side of the dissolution account for a partnership?

1 costs of dissolution

2 net book value of the assets

3 proceeds of sales of assets

4 profit on dissolution

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

15 L and M were in partnership sharing profits and losses equally. They admitted a new partner, P.

The partners do **not** have a partnership agreement. The terms of P's admission were as follows:

1 Assets were revalued downwards by $60 000.

2 Goodwill was valued at $30 000 but was not retained in the books of account.

What will be the effect on L's capital account balance on the admission of P?

	effect due to revaluation	effect due to goodwill
A	decrease	increase
B	decrease	decrease
C	increase	increase
D	increase	decrease

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16 J and K are in partnership sharing residual profits and losses in the ratio 7 : 3.

Their fixed capital accounts have balances of J $40 000, K $60 000. Interest is allowed on these at the rate of 10% per year.

J is paid a salary of $40 000 per year. Profit for the year was $200 000.

What was each partner's **total** share of the profit for the year?

	J $	K $
A	137 000	63 000
B	140 000	60 000
C	149 000	51 000
D	152 000	48 000

17 X, Y and Z were in partnership sharing profits and losses equally. Z retired from the partnership on 31 March 2022. The balances on his capital account and current account were $85 000 and $7000 debit respectively. After Z's retirement, X and Y would share profits and losses equally.

Goodwill was valued at $24 000 and would not remain in the books of accounts.

As part of the amount due to him, Z took a motor vehicle at an agreed valuation of $4000. The other non-current assets were revalued downwards by $15 000.

The remaining amount due to Z would be paid equally by X and Y.

How much would X pay to Z?

A $36 500 **B** $37 500 **C** $38 500 **D** $45 500

18 Draft financial statements for a company showed a balance of retained earnings of $170 000 at the year end.

The following information was then discovered.

1 An irrecoverable debt of $25 000 should have been written off.

2 An ordinary share dividend, $30 000, had been paid but not recorded.

3 Closing inventory was undervalued by $15 000.

What was the correct balance of retained earnings at the year end?

A $100 000 **B** $125 000 **C** $130 000 **D** $185 000

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19 A company provided the following information.

at 1 January	$
ordinary shares of $1 each	100 000
retained earnings	95 000

The following actions took place during the year ended 31 December.

1 A bonus issue of one ordinary share for every two ordinary shares held on 1 January.

2 A rights issue of 50 000 ordinary shares at $1.25 each. The issue was fully subscribed.

3 A transfer, $25 000, to create a general reserve.

4 A dividend, $11 250, was paid.

The profit for the year ended 31 December was $68 500.

What was the total shareholders' equity at 31 December?

A $289 750 **B** $314 750 **C** $364 750 **D** $389 750

20 A business buys goods for resale, paying by cheque rather than buying on credit.

What effect will this have on the current ratio and the liquid (acid test) ratio?

	current ratio	liquid (acid test) ratio
A	decrease	decrease
B	increase	decrease
C	no change	decrease
D	no change	increase

21 The following information is available.

	$
non-current assets at cost at 31 December 2021	400 000
provision for depreciation at 31 December 2021	280 000
sales revenue for the year 2021	980 000
cost of sales for the year 2021	410 000

What is the non-current asset turnover in times?

A 1.03 **B** 2.45 **C** 3.42 **D** 8.17

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22 A cost accountant is calculating the budgeted production overheads for a company which makes and sells a single product.

Which row will give the correct total of production overheads?

	wages of production workers	wages of assembly workers	supervisors' salaries	wages of factory maintenance workers	cost of raw materials	cost of factory cleaning materials
A	✓	✓			✓	
B		✓	✓	✓		✓
C	✓	✓	✓	✓		✓
D			✓	✓		✓

23 Workers are paid a basic rate of $10 per hour.

Overtime rate is paid at time and a half.

Bonus is paid at a rate of 10% of basic pay if production exceeds its target.

The following information is available for a month.

total hours worked	1500
hours at basic rate	1000
target production	12 500 units
actual production	15 000 units

What was the total factory labour cost for the month?

A $16 500 **B** $18 500 **C** $19 250 **D** $24 750

24 Why are service department costs transferred to production departments?

1 so that both direct and indirect costs can be covered by revenue

2 so that overhead absorption rates can be calculated and applied

3 so that the break-even point can be calculated

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

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25 A company's profit was $100 000 using marginal costing.

Its opening inventory was 2000 units and closing inventory was 3000 units.

The fixed production overhead absorption rate is $30 per unit.

What was the profit using absorption costing?

A $40 000 **B** $70 000 **C** $130 000 **D** $190 000

26 A business prepares its income statement using marginal costing. The profit is reduced by changing from marginal costing to absorption costing.

Which statement is correct?

A All units produced in the period were sold.

B Units sold were greater than units produced.

C Units sold were fewer than units produced.

D There were no units produced in the period.

27 A company wants to sell 50 000 units and achieve a profit of $600 000. It has variable costs of $60 per unit and total fixed overheads of $400 000.

What is the selling price per unit it needs to charge to achieve the required profit?

A $64 **B** $68 **C** $72 **D** $80

28 The following information is available for a month.

	$
sales revenue	160 000
total costs	105 000
variable overheads (included in total costs)	26 000

When calculating the contribution to sales ratio, the book-keeper treated the variable overheads as fixed by mistake.

What was the effect of this on the contribution to sales ratio?

A 16.25% too high

B 16.25% too low

C 24.76% too high

D 24.76% too low

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29 A business had the following results in April and May.

	April	May
units produced and sold	1000	1200
total revenue	$50 000	?
total contribution	$22 000	?
total profit	$8 000	$10 500

The selling price per unit and total fixed costs remained constant.

What was the change in the variable cost per unit?

A decrease $0.75

B decrease $1.58

C increase $0.75

D increase $1.58

30 Which statements about budgeting are correct?

1 Accurate overhead allocations are always made.

2 Managers may make budgets easy to achieve.

3 Financial factors are considered.

4 Very little time is taken to produce the budget.

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

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