Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING **9706/33**

Paper 1 Multiple Choice **May/June 2015**

1 hour

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

* 3 3 5 4 0 3 9 2 7 7 *

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.

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

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1 Which item may appear in a statement of cash flows?

A issue of bonus shares

B proposed dividend

C purchase of non-current asset

D revaluation of property

2 A sole trader prepares his financial statements.

What is the equivalent of dividends paid by a limited company?

A business loan repayments made by the owner

B new business loan taken by the owner

C owner's drawings for the year

D profit for the year

3 X and Y shared partnership profits equally. Their capital account balances were X $300 000 and Y $140 000.

Z was admitted as a partner and all three partners then shared profits equally.

The partnership assets were revalued upwards by $180 000. Z paid in additional capital equal to the average capital account balances of X and Y.

How much capital did Z invest in the partnership?

A $60 000 **B** $130 000 **C** $220 000 **D** $310 000

4 The financial year for a manufacturer ends on 30 June. Finished goods are valued at cost plus 25%.

The following information is available.

	start of year $	end of year $
inventory of finished goods	400 000	500 000

How much should be deducted from the inventory of finished goods for unrealised profit at the end of the year in the statement of financial position?

A $20 000 **B** $80 000 **C** $100 000 **D** $125 000

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5 The debit balance of $128 000 on the sales ledger control account at 31 March 2015 did not agree with the total balances in the sales ledger. The following information is available.

1 The transaction of $3500 cash sales was omitted from the books of account.

2 Increase in provision for doubtful debt from $1800 to $2500 had not been recorded.

3 A discount allowed of $600 was omitted from the sales ledger control account.

What was the net value of trade receivables in the statement of financial position at 31 March 2015?

A $124 900 **B** $126 700 **C** $127 400 **D** $130 200

6 A company has ceased trading and the only assets that remain have realised $45 000.

The company's capital structure shows the following.

	$
ordinary shares	20 000
preference shares	40 000
loan stock	30 000

How will the $45 000 be distributed?

	ordinary shares $	preference shares $	loan stock $
A	10 000	20 000	15 000
B	–	15 000	30 000
C	20 000	25 000	–
D	–	40 000	5 000

7 A company purchases its own shares.

To which account is an amount equal to the reduction in share capital transferred?

A capital redemption reserve

B revaluation reserve

C revenue reserve

D share premium account

8 A company has made a loss and cannot pay a dividend this year.

Which type of shareholder will receive arrears of dividend when sufficient future profits are made?

A cumulative preference shareholders

B non-cumulative preference shareholders

C participating preference shareholders

D redeemable preference shareholders

9 An extract from a statement of financial position shows the following.

	$000
ordinary shares	450
preference shares	60
share premium	25
retained earnings	205
	740

The company decides to redeem the preference shares at a premium of 5%. No premium had been paid at the time of issue of these shares. No new shares are to be issued.

What will the total of the equity be after redemption?

A $592 000 **B** $620 000 **C** $652 000 **D** $677 000

10 A company's statement of financial position includes the following items.

	$
ordinary shares of $1 each	400 000
share premium account	60 000
retained earnings	220 000

The company wishes to issue bonus shares at a rate of 1 bonus share for every 5 ordinary shares held. The current market price of the shares is $1.50.

What is the **minimum** possible decrease in the retained earnings?

A $20 000 **B** $60 000 **C** $80 000 **D** $120 000

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11 X Limited purchases Y Limited. The purchase consideration was one million ordinary shares of $1.00 each. The shares had a market value of $1.50 each. Y Limited had net assets of $500 000 with a fair value of $700 000.

How much is the goodwill on acquisition?

A $300 000 **B** $500 000 **C** $800 000 **D** $1 000 000

12 Which item should appear in the Directors' Report?

A an explanation of any changes in the company's cash position

B a statement that the company is a going concern (or otherwise)

C changes in revaluation reserve

D details concerning changes in non-current assets

13 Which item is **not** required to be shown in the schedule of non-current assets?

A the carrying amount of non-current assets

B the cost of disposals during the year

C the depreciation charge for the year

D the depreciation method used

14 The following information is available for a limited company at the end of its financial year.

ordinary shares of $0.50 each	$100 000
dividend yield	5%
market price of one ordinary share	$2.00

The directors paid a total dividend equal to half the profit for the year after transferring $8000 to the general reserve.

What was the profit for the year?

A $18 000 **B** $28 000 **C** $40 000 **D** $48 000

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15 A company's profit from operations for the year 31 December 2015 is expected to be the same as the previous year.

Finance costs for the year ended 31 December 2015 are expected to increase.

What is the effect of this increase on income gearing and profit for the year?

	income gearing	profit for the year
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

16 A statement of changes in equity showed opening retained earnings of $450 000 and closing retained earnings of $500 000. Other information is as follows.

1 A transfer to general reserve of $50 000 was made during the year.

2 The previous year's proposed final dividend of $120 000 had been paid.

3 An interim dividend of $85 000 for the current year had been paid.

4 The current year's final dividend of $165 000 had been proposed.

What was the profit for the year?

A $205 000 **B** $305 000 **C** $350 000 **D** $470 000

17 A company has the following capital structure.

1 million $1 ordinary shares

1 million 4% $1 preference shares

The current market price per share is $3.

The profit from operations was $200 000.

What was the price earnings ratio?

A 12.5 **B** 15 **C** 18.75 **D** 37.5

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18 The following information is available for a limited company at the end of its financial year.

ordinary shares of $2 each	$200 000
market price per share	$5
dividend yield	8%

After transferring $15 000 to general reserves, the directors paid all the remaining profit for the year as dividends.

What were the earnings per share?

A $0.20 **B** $0.275 **C** $0.40 **D** $0.55

19 There is a contingent liability which is less than 50% likely to happen.

How should this be treated in the financial statements?

	income statement	notes to financial statements
A	include full amount	no note
B	include full amount	show as a note
C	no amount shown	no note
D	no amount shown	show as a note

20 The summarised financial statements of a company at 31 December 2013 showed the following.

statement of financial position	$000	income statement	$000
net assets	100	profit before interest	20
ordinary shares of $1 each	30	interest	(3)
retained earnings	50	profit for the year	17
convertible 15% loan stock	20		
	100		

The company made the same profit before interest in 2014.

The loan stock was converted to ordinary shares of $1 each on 1 January 2014. An ordinary dividend of 10% was paid during the year.

What was the equity of the company at 31 December 2014?

A $50 000 **B** $65 000 **C** $115 000 **D** $135 000

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21 A company commenced building a new warehouse in the year. The timetable of events is as follows.

discussions with architects started	1 January
$120 000 borrowed at 5% per annum (no capital is repaid during the year)	1 January
planning permission obtained	1 February
construction started	1 March
construction finished	30 September
production started	31 December

How much of the interest is treated as capital expenditure?

A $3500 **B** $4000 **C** $5000 **D** $6000

22 The table contains information provided by a business.

actual direct labour hours worked	18 000
actual overhead expenditure	$504 000
budgeted direct labour hours	17 000
budgeted overhead expenditure	$510 000

What is the amount of the overhead over or under recovery?

A $6000 over recovered

B $6000 under recovered

C $30 000 over recovered

D $36 000 over recovered

23 Some products are simultaneously produced. Each product has a high sales value, but its costs cannot be separated out until a split-off point.

What are the costs of such products called?

A by-product costs

B joint product costs

C marginal costs

D standard costs

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24 A cash budget indicates that a company will exceed its bank overdraft limit.

What could the company consider doing to avoid this?

A delaying capital expenditure

B extending the credit period allowed to debtors

C not paying loan interest

D withholding wages of employees

25 What might cause a favourable material usage variance?

A changed method of production

B increased wastage of materials

C purchase of inferior materials

D reduced purchase prices

26 In order to prepare the budget for next year a company uses this year's actual figures and adds to them or subtracts from them to reflect changes.

What type of budget is this?

A fixed

B flexible

C incremental

D zero-based

27 A company uses a standard costing system for direct labour.

The following data is available from the costing system.

1 standard cost of labour

2 adverse labour rate variance

3 favourable labour efficiency variance

4 actual cost of labour

Which equation reconciles the standard cost and actual costs of labour for a period?

A 1 – 2 – 3 = 4

B 1 – 2 + 3 = 4

C 1 + 2 – 3 = 4

D 1 + 2 + 3 = 4

28 The actual profit for a business was $49 820. The following variances were calculated.

	$
sales price	3000 adverse
material usage	2140 adverse
material price	2050 favourable
labour efficiency	4200 favourable
labour rate	6310 adverse

What was the budgeted profit?

A $44 620 **B** $47 620 **C** $52 020 **D** $55 020

29 Which investment appraisal method has the objective of maximising return on capital employed?

A accounting rate of return

B internal rate of return

C net present value

D payback period

30 A company is considering a project which will last for three years. The expected discounted cash flows are as follows.

	14%	21%
year 1	17 544	16 529
year 2	19 237	17 075
year 3	23 624	19 756
	60 405	53 360
less project cost	(56 000)	(56 000)
NPV	4 405	(2 640)

What is the internal rate of return (IRR) of the project?

A 11.2% **B** 16.6% **C** 18.4% **D** 25.7%

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