Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

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ACCOUNTING **9706/11**

Paper 1 Multiple Choice **October/November 2015**

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, 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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CAMBRIDGE International Examinations

1 A business receives a $50 000 deposit from a customer for a product which is to be delivered after the end of the financial year.

How should this be shown in the statement of financial position at the year end?

A current assets

B current liabilities

C non-current assets

D non-current liabilities

2 Derek places advertisements in monthly magazines.

In September 2014 Derek paid $900 for advertisements to appear in the October 2014 to March 2015 editions of one magazine.

In December 2014 he paid a further $880 for advertisements to appear in the January 2015 to April 2015 editions of another magazine.

Which amount was shown for advertisements under other receivables in Derek's statement of financial position at 31 January 2015?

A $520 **B** $820 **C** $960 **D** $1260

3 A business prepared its draft financial statements. It was later discovered that an adjustment for prepaid rent was required.

What is the effect of this adjustment?

	expenses	current assets
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

4 A trader purchased fixtures and fittings on credit from a supplier. These were faulty and were returned to the supplier.

Which entry in the trader's books of account recorded the return?

	account to debit	account to credit
A	fixtures and fittings	supplier
B	purchases returns	fixtures and fittings
C	supplier	fixtures and fittings
D	supplier	purchases returns

5 A business had a draft loss for the year of $4650. Further adjustments were required.

1 a write off of $165 for bad debts

2 a reduction of $300 in the provision for doubtful debts

What was the loss for the year after these adjustments?

A $4185 **B** $4515 **C** $4785 **D** $5115

6 Which entries are made to transfer cash discount obtained from suppliers to the financial statements at the end of the year?

	debit entry	credit entry
A	trade payables account	income statement
B	discount received account	income statement
C	income statement	trade payables account
D	income statement	discount received account

7 A motor vehicle retailer has the following transactions.

1 issue of shares

2 sale of motor vehicles

3 sale of surplus premises

Which transaction(s) are capital income?

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

8 Which item appears as a reserve in a statement of financial position?

A bank overdraft

B provision for depreciation

C provision for doubtful debts

D share premium

9 A trader adjusts his financial statements for a prepayment of $15 000 for three months' property rental.

Which accounting concept has he applied?

A consistency

B matching

C materiality

D prudence

10 What is meant by the historical cost principle?

A Each transaction must have a debit and credit of equal value.

B Reported profits are realistic and not overstated.

C Similar transactions should be recorded in the same way.

D Transactions are recorded at actual cost.

11 A business provides the following information.

	$
cash received from customers	200 000
opening trade receivables	40 000
closing trade receivables	30 000
discounts allowed	5 000
provision for doubtful debts	4 000

How much are the credit sales?

A $190 000 **B** $195 000 **C** $199 000 **D** $215 000

12 The trial balance of a business does not agree. The difference has been entered in a suspense account.

The error was caused by a cheque for $400 from Omar being debited to Omar's account.

Which entries correct this?

	account debited $	account credited $
A	bank 400	suspense 400
B	suspense 400	Omar 400
C	suspense 800	Omar 800
D	suspense 800	bank 800

13 A business has the following balances at the end of its financial period.

	$
trade receivables	10 620
bad debt not yet written off	260
provision for doubtful debts brought forward	460

What should the business do if it wishes to maintain the bad debt provision at 5% of trade receivables?

A Decrease the existing provision by $58.

B Increase the existing provision by $58.

C Decrease the existing provision by $71.

D Increase the existing provision by $71.

14 Motor vehicles purchased for $530 000 at the start of the year have been incorrectly depreciated for the whole year at 10% instead of 25%.

Ledger balances **after** the entries have been posted:

	$
motor vehicles at cost	530 000
provision for depreciation	53 000

Which entries will correct the error?

	account to be debited	$	account to be credited	$
A	income statement	79 500	provision for depreciation of motor vehicles	79 500
B	income statement	132 500	provision for depreciation of motor vehicles	132 500
C	provision for depreciation of motor vehicles	79 500	income statement	79 500
D	provision for depreciation of motor vehicles	132 500	income statement	132 500

15 At the year end a company discovers that some inventory is damaged.

This inventory originally cost $2000 and to replace it would now cost $1900.

It would normally sell for $2400 but can now only be sold for $2200 if repairs costing $400 are undertaken.

At what value should the damaged inventory be shown in the financial statements?

A $1800 **B** $1900 **C** $2000 **D** $2200

16 Which entries are made to record interest on capital in partnership accounts?

	debit	credit
A	appropriation account	capital account
B	appropriation account	current account
C	capital account	appropriation account
D	current account	appropriation account

17 Two partners, X and Y, have a capital account of $10 000 each and share profits and losses equally. They agree to admit Z to the partnership and continue to share profits and losses equally.

There is no goodwill account in the books. At that time goodwill is valued at $15 000 but is not to be retained in the books of account.

What will be the balance on X's capital account after the admission of Z?

A $10 000 **B** $12 500 **C** $15 000 **D** $17 500

18 A manufacturing business incurs the following costs.

1 carriage inwards

2 depreciation of plant

3 wages

Which item(s) can be shown as either a direct cost or an indirect cost in the manufacturing account?

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

19 A fitness club operates a shop selling sports shoes.

Which statement is correct?

A The inventory of shoes appears in the receipts and payments account.

B The payments to suppliers are adjusted for trade payables in the income and expenditure account.

C The profit made appears in the trading account and the income and expenditure account.

D The sales proceeds and payments to suppliers are netted off in the receipts and payments account.

20 On 1 January a business had an inventory of 100 units at a cost of $10 each. The following transactions then took place.

	units purchased	units sold
February		50
March	60 at $11 each	
April	70 at $12 each	100
May		30

All sales are made at $13 per unit.

The business values its inventory on a FIFO basis.

What is the value of the inventory at the end of May?

A $390 **B** $550 **C** $600 **D** $650

21 Information from a partnership's accounts is shown.

	$
profit for the year before interest	15 000
interest on partner's loan to the firm	1 000
interest on capital	2 000
drawings	10 000

Which profit figure is to be appropriated between the partners?

A $3000 **B** $13 000 **C** $14 000 **D** $15 000

22 The following information relates to the subscriptions of a club.

	in advance $	in arrears $
at the start of the year	50	75
at the end of the year	150	120

Cash for subscriptions received during the year was $3750.

What was the subscription income for the year?

A $3695 **B** $3750 **C** $3755 **D** $3805

23 An asset with accumulated depreciation of $72 400 is sold for $46 500. There is a loss on disposal of $23 000.

What was the cost of the asset?

A $48 900

B $95 900

C $118 900

D $141 900

24 Which item will **not** be shown as part of the equity in the statement of financial position of a limited company?

A debentures

B ordinary share capital

C retained earnings

D share premium

25 A decrease in which ratio indicates a better performance for a business?

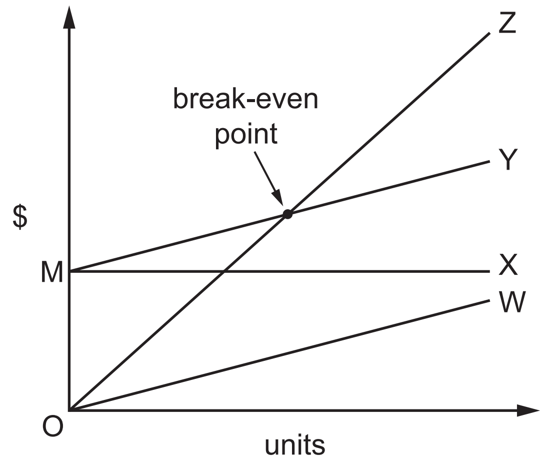
A inventory turnover in days

B non-current asset turnover

C return on capital employed

D trade payables turnover

26 Which line represents total cost?



A OW **B** OZ **C** MX **D** MY

27 A company makes one product with a selling price of $384 per unit. Costs are as follows.

	per unit
direct materials	4 kilos at $8 per kilo
direct labour	8 hours at $12 per hour
selling and distribution	$40

The mark up is 50%.

What is the factory overhead absorption rate per labour hour?

A $3 **B** $5 **C** $11 **D** $22

28 A business provides the following information for August.

	$
actual revenue	340 000
break-even revenue	370 000
forecast revenue	365 000

What was its margin of safety in August?

A +$25 000 **B** –$25 000 **C** +$30 000 **D** –$30 000

29 A company's profit for a period using marginal costing was \$70 000.

Opening inventory was 2000 units and closing inventory 2500 units.

The fixed production overhead absorption rate is \$10 per unit.

What was the profit under absorption costing?

A \$50 000 **B** \$65 000 **C** \$75 000 **D** \$90 000

30 A business sold 10 000 units at \$20 each. It had fixed costs of \$15 000. Costs per unit of production were as follows.

	\$
direct materials	7
direct labour	5
variable production overhead	3
variable sales overhead	2

What was the contribution?

A \$15 000 **B** \$30 000 **C** \$35 000 **D** \$50 000

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