ACCOUNTING   **9706/11**

Paper 1 Multiple Choice   **October/November 2009**

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, 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.

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

[Turn over

1   The table shows balances at the end of a year.

	$
expenses prepaid	6 000
expenses accrued	4 000
bank overdraft	11 500
trade creditors	13 400
trade debtors	10 500
loan (2015)	20 000

What is the total of current liabilities?

A $16 500   **B** $17 400   **C** $28 900   **D** $48 900

2   The accounting year end of a business is 31 October.

On 1 April the business rents out part of its warehouse for an annual rent of $6000. Payments were received in equal instalments on 1 April, 1 July, 1 October and 1 January.

At 31 October what would the final accounts show?

	profit and loss account $		balance sheet $	
A	rental income	3500	current asset	1000
B	rental income	3500	current liability	1000
C	rental income	4500	current liability	1000
D	rental income	6000	current asset	1500

3   A business paid $15 000 for electricity in the year. The opening prepayment was $1000 and the closing accrual was $2000.

What was the charge for electricity for the year?

A $15 000   **B** $16 000   **C** $17 000   **D** $18 000

4   A business makes a provision for doubtful debts equal to 5% of its debtors.

At 31 March 2008 the provision for doubtful debts was $850.

At 31 March 2009 the debtors after the provision for doubtful debts were $17 100.

How much is the increase in the provision for doubtful debts for the year ended 31 March 2009?

A $45   **B** $50   **C** $850   **D** $900

5 A business is separate from its owner. This results in only business transactions being recorded in the accounts.

Which accounting principle applies?

A business entity

B materiality

C money measurement

D prudence

6 At 31 March the balance sheet of a company included the following.

	$
trade debtors	23 000
provision for doubtful debts	1 200

During April credit sales were $64 000 and cash sales were $256 000. Credit customers paid $56 840 net of a 2 % cash discount.

What will be the trade debtors at 30 April?

A $27 800 **B** $28 960 **C** $29 000 **D** $30 160

7 Stock has been damaged.

The stock cost $1200.

It would normally have sold for $1800.

It can be sold for $1700 if repairs are undertaken at a cost of $600.

To replace the stock would cost $1000.

At what value should the damaged stock be shown in the final accounts?

A $1000 **B** $1100 **C** $1200 **D** $1800

8 A business has discovered several errors in its sales ledger. All the accounts in the other ledgers have been entered correctly.

Which error will **not** affect the agreement of the trial balance?

A A sale to Clark of $2000 was debited to Clarkson's account.

B A sale to Garcia of $100 was entered in Garcia's account as $1000.

C A sale to Wong of $4700 was omitted from Wong's account.

D A sales return of $1200 was debited to Khan's account.

9 A trial balance fails to agree and the bookkeeper finds the following errors.

1 A bank overdraft of $100 was shown as a debit in the trial balance.

2 A telephone bill for $400 was debited to the insurance account.

3 A cash purchase of $160 was entered in the purchases account as $150; the purchase was entered correctly in the cash account.

The bookkeeper opens a suspense account in order to correct the errors.

What is the opening entry in the suspense account?

A credit $190

B credit $210

C debit $60

D debit $550

10 A new business was established with opening capital of $15 000. At the end of the year net assets were $20 000. During the year the proprietor's drawings were $3000 and this resulted in an overdraft at the end of the year of $4000.

What was the profit during the year?

A $2000 **B** $4000 **C** $5000 **D** $8000

11 The financial year of a manufacturer ends on 31 December. Finished goods are valued at factory cost plus 20 %.

The following information is available.

	1 January $	31 December $
stock of finished goods at cost plus 20 %	2400	3000

How much should be deducted from the stock of finished goods in the balance sheet at 31 December for unrealised profit?

A $100 **B** $400 **C** $500 **D** $600

12 The stock records of a business show the following information for product X during January.

		amount in units	cost per unit $
1 Jan	opening balance	200	5
15 Jan	receipts into stock	150	6
30 Jan	stock issued to production	250	-

What is the value of stock held at 31 January using the Last In First Out (LIFO) method?

A $500 **B** $600 **C** $1300 **D** $1400

13 The summarised balance sheets for a business for two years are as follows.

	year 1	year 2
	$	$
fixed assets	9 000	12 000
current assets	6 000	8 000
less current liabilities	(5 000)	(6 000)
net assets	10 000	14 000

The drawings in year 1 were $5000 and in year 2 $3000.

What is the net profit for year 2?

A $1000 **B** $4000 **C** $5000 **D** $7000

14 X and Y are in partnership. Their profit and loss appropriation account shows the following.

	X $	Y $	total $
interest on capital	1 600	1 800	3 400
interest charged on drawings	500	400	900
partners' salaries	2 000	3 000	5 000
share of profit	8 000	12 000	20 000

What is the net profit before appropriations?

A $17 500 **B** $22 500 **C** $27 500 **D** $29 300

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15 An extract from the accounts of a manufacturing company shows the following.

	$
depreciation of factory machinery	16 700
direct factory labour	476 200
factory cleaning costs	18 300
factory heat, light and power	22 600
factory supervisor's salary	18 200
indirect factory labour	52 470
purchases of raw materials	184 300
stock of raw materials	
- opening stock	21 500
- closing stock	17 900

What is the prime cost of production?

A $660 500   **B** $664 100   **C** $680 800   **D** $716 570

16 An extract from a company's balance sheet is given.

	$000
issued ordinary share capital	250
issued preference shares	180
profit and loss account	320
share premium account	125
8 % debentures	100

What are the ordinary shareholders' funds?

A $695 000   **B** $775 000   **C** $875 000   **D** $975 000

17 An extract from a company's balance sheet shows the following.

	$000
issued ordinary shares of $0.25 each	600
share premium account	150
retained profits	300

The company makes a rights issue of one new ordinary share for each three held, at a price of $0.30 per share. All shares were taken up.

What does the new balance sheet show?

	issued ordinary share capital $000	share premium $000
A	600	120
B	800	150
C	800	190
D	800	600

18 A company's Balance Sheet at 31 December 2008 includes:

	$
Ordinary shares of $1.00	12 000
Profit and Loss Account	4000

In January 2009, the company made a bonus issue of one share for every four held.

In June 2009, the company made a rights issue at $1.60 of one share for every two held.

By how much did these transactions increase the company's bank balance?

A $9600 B $12 000 C $12 800 D $19 200

19 Which transaction would increase the current assets of a business?

A paying creditors $750 cash

B purchasing a fixed asset on credit for $5000

C purchasing stock on credit for $1000 and selling immediately for $2000 cash

D selling stock of $1000 at cost price on credit

20 What will result in a reduction of working capital?

    A decreasing the rate of stock turnover

    B reducing the debtor collection period by offering discounts

    C reducing the time taken to pay suppliers

    D selling some surplus fixed assets

21 A bank manager has reviewed the financial statements of a business. He notes that the liquidity ratio has fallen but that the sales for the year have remained constant.

What explains this fall in the liquidity ratio?

    A a decrease in stocks of finished goods

    B a decrease in the overdraft

    C an increase in cash

    D an increase in trade creditors

22 The following information relates to the final accounts of a business.

	$000
opening stock	2 470
closing stock	2 156
cost of sales for year	12 500
sales for year	21 660

What was the stock turnover in days?

    A 68   **B** 72   **C** 126   **D** 144

23 A company has a share price that gives a dividend yield of 4 %. Earnings per share are $0.32 and half the earnings are paid out as dividends.

What is the share price?

    A $2.00   **B** $4.00   **C** $6.00   **D** $8.00

24 When are the reported profits under marginal costing and absorption costing principles the same amount?

    A when sales revenue exceeds cost of sales

    B when units produced equals sales in units

    C when units produced exceeds sales in units

    D when unit sales exceeds production in units

25 Which cost will fall as production is reduced?

  A fixed costs per unit

  B total fixed costs

  C total variable costs

  D variable costs per unit

26 A particular cost is classified as 'semi-variable'.

  What effect will a 20 % reduction in activity have on the unit cost?

  A decrease by 20 %

  B decrease by less than 20 %

  C increase by 20 %

  D increase by less than 20 %

27 A business uses job costing to calculate the cost of vehicle repair jobs.

  Overheads are allocated on an absorption costing basis.

  What is the effect of this method of allocation?

  A overheads will include both fixed and variable overhead costs

  B overheads will include direct costs only

  C overheads will include fixed overhead costs only

  D overheads will include variable overhead costs only

28 A company has a product which sells for $1 per unit. The variable costs are $0.60 per unit, and production of 200 000 units is planned.

  Fixed costs are $0.20 per unit at the budgeted production level.

  What is the break-even level?

  A 40 000 units   B 66 667 units   C 100 000 units   D 160 000 units

29 How is total contribution calculated?

  A actual sales revenue less break-even sales revenue

  B sales revenue less fixed costs

  C sales revenue less total costs

  D sales revenue less variable costs

30 In January, a business had opening stocks of 25 200 units and closing stocks of 28 200 units.

The profit calculated on marginal costing principles was $100 800 and that calculated on absorption costing principles was $120 300.

What was the fixed overhead absorption rate per unit?

A $4.00 **B** $4.27 **C** $6.17 **D** $6.50

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