Cambridge International A Level

Cambridge International Examinations
Cambridge International Advanced Level

ACCOUNTING **9706/33**

Paper 3 Multiple Choice **May/June 2014**

1 hour

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

1818964380

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 **11** printed pages and **1** blank page.

IB14 06_9706_33/3RP

CAMBRIDGE International Examinations

1 The totals of the trial balance for a business were $536 300 debit and $519 800 credit. A suspense account was opened. The following errors were found.

1. Discount allowed $3900 and discount received $4100 had not been entered into the relevant discount accounts.
2. A cheque received for $15 000 had been entered in the customer account as $5100.

What was the balance on the suspense account **after** these errors had been corrected?

A $6400 credit

B $6800 credit

C $9700 debit

D $10 100 credit

2 X and Y have been in partnership for several years. They do not have a partnership agreement. They decide to dissolve the partnership. The loss on realisation is $18 000.

The following financial information is also available.

	X $	Y $
total of capital accounts, current accounts and loan accounts	60 000	120 000
total of capital and current accounts	50 000	40 000
fixed capital accounts	40 000	20 000

How should the loss on realisation be split between the partners?

	X $	Y $
A	6 000	12 000
B	9 000	9 000
C	10 000	8 000
D	12 000	6 000

3 A manufacturing company transfers its products from factory to warehouse at cost of production plus 20%.

The following information is available.

	$
provision for unrealised profit brought forward at 1 October 2012	9000
closing inventory of finished goods at 30 September 2013 at transfer price	48000

Which entry is shown in the income statement for the year ended 30 September 2013 for the provision for unrealised profit?

A $600 credit

B $600 debit

C $1000 credit

D $1000 debit

4 X, Y and Z are in partnership sharing profits and losses equally. The following information is taken from their books of account.

	$
capital account balances at start of year	320000
current account balances at start of year	100000
net assets at end of year	600000
partnership salary – Y	30000
total drawings during year	60000

What was X's share of the profit for the year?

A $40000 **B** $60000 **C** $70000 **D** $80000

5 X and Y are business partners sharing profits equally. Their capital account balances were as follows.

	$
X	200 000
Y	100 000

They admitted Z as a partner and then profits were shared equally.

A revaluation surplus of $150 000, for the business assets, was recognised on the admission of Z.

Z paid in capital equal to the average of X and Y's investment in the partnership.

How much did Z pay on admission to the partnership?

A $50 000 **B** $75 000 **C** $150 000 **D** $225 000

6 A company is redeeming $50 000 redeemable ordinary shares of $1 each at a premium of $0.10. The shares were originally issued for $1.

Which account must be debited with the premium?

A capital redemption reserve

B ordinary share capital

C retained earnings

D share premium

7 What is the effect of a bonus issue of shares on the share capital and net assets of a company?

	share capital	net assets
A	increase	increase
B	increase	no effect
C	increase	decrease
D	no effect	no effect

8 The following are extracts from the statements of financial position of two businesses.

partnership	X $	Y $	sole trader	Z $
capital account	120 000	80 000	capital at start	185 000
current account	18 000	(19 000)	net loss	(10 000)
	138 000	61 000	drawings	(20 000)
				155 000

Z is admitted as a partner. He invests $100 000 cash, equipment worth $79 000 and motor vehicles valued at $42 000.

What is the amount of capital employed in the new partnership?

A $221 000 **B** $354 000 **C** $385 000 **D** $420 000

9 What is the usual accounting treatment of goodwill arising on the purchase of a business?

A It may be added to the investments in the statement of financial position.

B It may be amortised over its useful economic life in the income statement.

C It may be shown as a tangible asset in the statement of financial position and amortised in the income statement.

D It may be written off immediately following purchase as an administrative expense in the income statement.

10 The summarised statement of financial position of company Y is as follows.

	$		$
assets	600 000	capital and reserves	460 000
		loan capital	140 000

Company Z agrees to buy the net assets of company Y at book value by means of issuing a debenture of $200 000 and 65 000 ordinary shares of $1 each for the balance of the consideration.

How much will company Z credit to its share premium account?

A $195 000 **B** $260 000 **C** $335 000 **D** $395 000

11 A company's convertible loan stock will be converted into ordinary shares on 1 January 2020.

Where would the company show this in the statement of financial position at 31 December 2013?

A current liabilities

B equity

C non-current assets

D non-current liabilities

12 Which item appears in the statement of changes in equity?

A issue of a debenture

B profit on revaluation

C proposed dividends

D repayment of long term loan

13 A company's financial information is as follows.

	$
loss for the year attributable to equity holders	220 000
loss on revaluation of property	240 000
surplus on revaluation of plant and machinery	80 000

What is the reduction in total equity for the year?

A $140 000 **B** $220 000 **C** $380 000 **D** $460 000

14 A company provides the following.

	$
profit from operations	280 000
loss on investments held as non-current assets	40 000
gain on revaluation of property	220 000

How much is the profit for the year?

A $240 000 **B** $280 000 **C** $460 000 **D** $500 000

15 The issued share capital of a company is as follows.

400 000 4% redeemable preference shares of $1.00 each

1 600 000 ordinary shares of $0.50 each

The company's profit from operations is $128 000.

An appropriate dividend cover from the ordinary share is 2.0 times.

What will be the dividend per ordinary share?

A $0.035 **B** $0.040 **C** $0.070 **D** $0.080

16 The following investment information is available.

	$
earnings per share	0.35
dividend per share	0.21
market price per share	1.40
nominal value per share	1.00

What is the percentage return to an investor who buys a share?

A 15% **B** 21% **C** 25% **D** 35%

17 Which transaction would **not** affect the gearing ratio?

A bonus issue of ordinary shares

B issue of preference shares

C redemption of ordinary shares at a premium

D repayment of a debenture loan

18 A company had the following capital employed.

	$
$0.50 ordinary shares	5 000 000
10% $1 preference shares	1 000 000
total capital employed	6 000 000

The profit from operations for the year was $800 000.

What was the earnings per share?

A $0.07 **B** $0.08 **C** $0.09 **D** $0.12

19 Which IAS deals with provisions, contingent assets and contingent liabilities?

A IAS1 **B** IAS10 **C** IAS36 **D** IAS37

20 The following information is available for a limited company.

	$
ordinary share capital of $0.50 each	200 000
share premium account	48 000

The directors intend to redeem the shares at par on the basis of two for every five shares issued.

How much cash will be required to finance the share redemption?

A $40 000 **B** $59 200 **C** $80 000 **D** $99 200

21 The total monthly production cost of a process was $78 200. Finished process output amounted to 8000 completed units. There were also 2000 units of work in progress 60% complete. There were no opening inventory or normal waste.

What was the cost per equivalent unit?

A $7.82 **B** $8.50 **C** $8.89 **D** $9.78

22 A company provides the following information about a product.

	$ per unit
selling price	12
variable cost	4
fixed cost	6
profit	2

The budgeted profit is $60 000.

What is the margin of safety as a percentage of sales?

A 20% **B** 25% **C** 30% **D** 33.33%

23 The following data relates to a manufacturing company for a month.

budgeted net profit as a percentage of sales	12%
budgeted contribution / sales ratio	30%
budgeted sales	$120 000
actual sales	$180 000

Selling prices and variable costs per unit and fixed costs were as budget.

What profit did the company make in the month?

A $21 600 **B** $32 400 **C** $36 000 **D** $39 600

24 A manufacturer prepared an annual budget. The actual level of production was lower than budgeted.

Which actual costs would normally be **less** than budgeted?

A fixed costs per unit

B total fixed costs

C total variable costs

D variable costs per unit

25 Materials and labour are in plentiful supply and the following budgets are prepared.

1 cash

2 purchases

3 sales

4 overhead

In which order should the budgets be prepared?

A $1 \rightarrow 2 \rightarrow 3 \rightarrow 4$

B $2 \rightarrow 4 \rightarrow 1 \rightarrow 3$

C $3 \rightarrow 2 \rightarrow 4 \rightarrow 1$

D $4 \rightarrow 3 \rightarrow 2 \rightarrow 1$

26 A business sets its budget for the next period as follows.

production in units	400
sales in units	350
	$
direct materials per unit	9
direct labour per unit	2
variable selling overhead per unit	1
fixed overheads for the month	800

What is the budgeted value of closing inventory using marginal costing?

A $550 **B** $600 **C** $650 **D** $700

27 A company uses standard costing. Last month its actual fixed overhead expenditure was 10% above budget. This resulted in an adverse fixed overhead expenditure variance of $32 000.

How much was the actual expenditure on fixed overheads?

A $288 000 **B** $320 000 **C** $352 000 **D** $384 000

28 Why does a business prepare a statement reconciling the actual profit with the budgeted profit?

A to aid preparation of the financial statements

B to enable comparison with the flexed budget

C to identify the cause of the variances

D to report a more accurate profit figure

29 A firm has an obsolete machine with a net book value of $20 000 which has no scrap value.

It is proposed to spend $30 000 modifying the machine to produce cash inflows with a present value of $35 000.

Which statement is correct?

A The firm will lose $50 000 by scrapping the machine.

B The net book value is irrelevant, there is a positive net present value.

C The net present value of the project is $15 000.

D The net present value of the project is $5000.

30 Which advantage arises when the average rate of return is used to evaluate a capital project?

A The actual cash surplus each year of the project life is calculated.

B The life of the project will determine if it is accepted or rejected.

C The profitability of the project can be compared with current profitability.

D The time value of money is taken into account.

BLANK PAGE