



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education  
Advanced Subsidiary Level and Advanced Level

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**ACCOUNTING**

**9706/12**

Paper 1 Multiple Choice

**October/November 2012**

**1 hour**

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

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

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**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.

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



- 1 Rent for premises is paid monthly in advance on the first day of each month. The payments during the last financial year were as follows.

up to and including 1 January	\$1000 per month
from 1 February	\$1200 per month

Which amount(s) will appear in the financial statements for the year ended 30 April?

	income statement	statement of financial position
<b>A</b>	\$12 400	–
<b>B</b>	\$12 600	–
<b>C</b>	\$12 600	\$1200 accrual
<b>D</b>	\$12 600	\$1200 prepaid

- 2 Which item is revenue expenditure?

- A** cost of painting new office premises during construction
- B** cost of repairs to factory plant and machinery
- C** legal fees for the purchase of new factory premises
- D** wages of a company's own workmen for building an office extension

- 3 The following items appear in a statement of financial position.

- an estimate of a liability in a court case, the outcome of which is uncertain
- an unrealised surplus from the revaluation of a non-current asset
- accumulated depreciation on non-current assets
- an estimate of future loss arising from bad debts

How many of these are provisions and how many are reserves?

	provisions	reserves
<b>A</b>	1	3
<b>B</b>	2	2
<b>C</b>	3	1
<b>D</b>	4	0

4 A trial balance shows the following information.

	\$
premises at cost	150 000
accumulated depreciation on premises	25 000

On 1 January the premises are revalued at \$270 000. At the same time 200 000 shares of \$1 each are issued for \$300 000.

What is the value of the reserves created on 1 January?

- A** \$120 000      **B** \$145 000      **C** \$220 000      **D** \$245 000

5 Which accounting principle attempts to deal with off-balance-sheet transactions?

- A** consistency  
**B** going concern  
**C** prudence  
**D** substance over form

6 Draft financial statements show revenue of \$106 000 and closing inventory of \$2100.

There were 100 items which had cost \$10 an item but which were for sale at \$6 an item. At the year end these were with a customer on a sale or return basis. These items were treated as having been sold although no sale had been agreed.

What are the values of revenue and inventory when the principle of prudence is applied?

	revenue \$	inventory \$
<b>A</b>	105 000	2700
<b>B</b>	105 000	3100
<b>C</b>	105 400	2700
<b>D</b>	105 400	3100

7 Inventory is valued at the lower of cost and net realisable value.

Which accounting principle is being applied?

- A** going concern  
**B** matching  
**C** materiality  
**D** prudence

- 8 A trial balance includes a suspense account. The bank balance of \$28 412 has mistakenly been entered as an overdraft and placed on the credit side as \$28 142.

There has also been an addition error and the debit side of the trial balance has been undercast by \$450.

Which entry in the suspense account would correct these errors?

- A credit \$56 104  
 B debit \$56 104  
 C credit \$57 004  
 D debit \$57 004
- 9 A company has obtained the following information for the year ended 31 December.

	\$
opening balance on sales ledger control account	31 000
closing balance on sales ledger control account	35 000
discount allowed	2 300
credit sales	125 400

What was the amount of cash received from the customers?

- A \$119 100      B \$123 700      C \$127 100      D \$131 700
- 10 A draft income statement shows a profit for the year of \$360 000. Interest received for the year of \$1200 has been treated as interest paid.

What is the correct profit?

- A \$357 600      B \$358 800      C \$361 200      D \$362 400
- 11 What is prime cost?
- A the total cost of manufacturing  
 B the total cost of manufacturing and selling  
 C the total of direct costs  
 D the total of indirect costs

- 12 A company operates three departments and apportions heat and light on the most appropriate basis.

The table shows information for a year.

	department X	department Y	department Z	total
revenue	\$950 000	\$710 000	\$690 000	\$2 350 000
floor area (square metres)	500	800	680	1980
number of employees	85	60	58	203
heat and light				\$90 000

Which cost for heat and light is apportioned to department X?

	\$
<b>A</b>	22 727
<b>B</b>	30 000
<b>C</b>	36 383
<b>D</b>	37 685

- 13 Which item appears in the financial statements of a limited company but **not** in those of a sole trader or partnership?

- A** dividends paid
- B** other payables
- C** other receivables
- D** trade payables

- 14 Which items would appear in a partnership's appropriation account?

- 1 partners' interest on capital
- 2 partners' introduction of new capital
- 3 salaries of employees
- 4 salaries of partners

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

- 15 The following information relates to the annual membership subscriptions of a cricket club for the year ended 31 December.

	1 January \$	31 December \$
subscriptions in arrears	7200	7800
subscriptions paid in advance	2800	4200

Cash received during the year for subscriptions totalled \$81 000.

Which amount should be shown in the income and expenditure account for membership subscriptions?

- A \$80 200      B \$81 000      C \$81 600      D \$81 800
- 16 A business does not keep complete accounting records. The following information is known:

	\$
capital at start of year	52 000
capital at end of year	55 000
owner's drawings in year	13 000
capital introduced during the year	25 000

What is the profit/loss for the year?

- A loss \$9000  
 B profit \$9000  
 C loss \$15 000  
 D profit \$15 000
- 17 The table shows information relating to closing inventory.

	\$
cost	50 000
realisable value	45 000
costs of realisation	5 000
replacement cost	35 000

What is the value of the closing inventory?

- A \$35 000      B \$40 000      C \$45 000      D \$50 000

- 18 A company uses the straight-line method of depreciation for all its non-current assets.

On 1 January the company bought machinery on hire purchase. The cash price was \$115 000 and the interest for the year is \$19 550. The estimated useful life of the machinery is five years with no residual value.

What is the charge for depreciation for the year ended 31 December?

- A \$19 090      B \$23 000      C \$26 910      D \$42 550

- 19 A company has issued non-cumulative preference shares and ordinary shares.

Which statement is correct?

- A If no preference dividend is paid, it is carried forward to a future year.  
 B Preference shareholders always get a dividend.  
 C Preference shareholders and ordinary shareholders always get a dividend.  
 D Preference shareholders may get a dividend.

- 20 A company has an authorised share capital of 1 000 000 \$0.50 ordinary shares. Its issued share capital is 800 000 shares. An ordinary dividend of 7½% is declared.

How much is payable to the shareholders?

- A \$30 000      B \$37 500      C \$60 000      D \$75 000

- 21 A company has the following year end information.

	\$000
credit purchases	210
credit sales	630
total purchases	280
total sales	840
trade payables	30
trade receivables	80

How long do the company's credit customers take to pay?

- A 35 days      B 39 days      C 47 days      D 52 days

22 A company has a current ratio of 2:1.

Which transactions would always increase the ratio?

- 1 buying goods on credit
- 2 debtors paying their account to us
- 3 converting an overdraft to a long-term bank loan
- 4 selling non-current assets for cash

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

23 A company wants to increase its return on capital employed in the short-term.

Which course of action will achieve this?

- A** invest in new plant and machinery
- B** reduce the level of dividends paid to investors
- C** reduce the level of overhead expenses
- D** revalue freehold land and buildings upwards

24 Beatrice calculates some ratios to help her understand her financial statements.

What helps her interpretation of the ratios?

- A** availability of previous results
- B** changes in the economic conditions
- C** her employment of an inexperienced book keeper
- D** the fact that Beatrice is a sole trader

25 A business employs machinists to make children's sunhats.

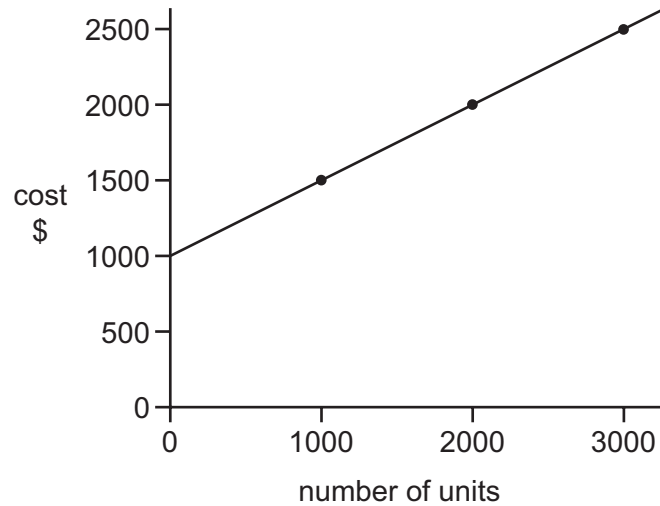
As demand increases more machinists are employed. Every time eight extra machinists are employed, one extra supervisor is needed.

How are total labour costs best described?

	machinists	supervisors
<b>A</b>	fixed	variable
<b>B</b>	stepped	variable
<b>C</b>	variable	fixed
<b>D</b>	variable	stepped



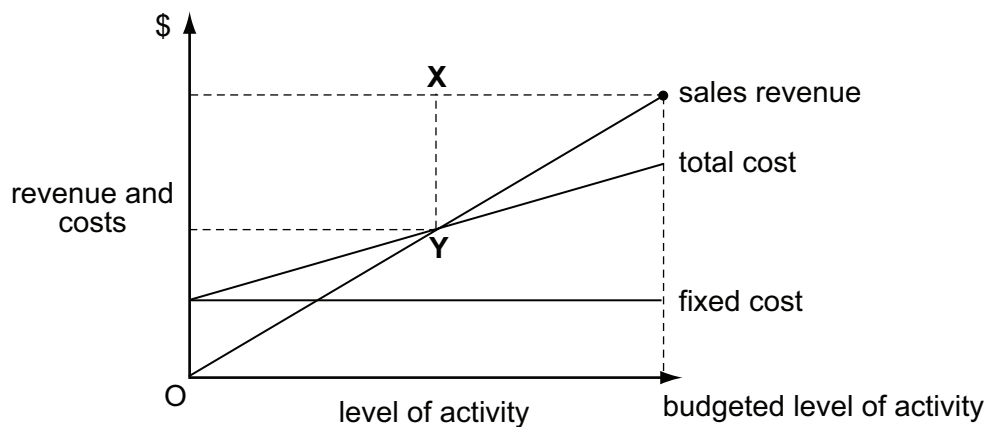
26 The total cost of making product X is shown on the graph.



What is the variable cost per unit?

- A** \$0.50      **B** \$0.83      **C** \$1.00      **D** \$1.50

27 The diagram shows a break-even chart.



What does line **XY** represent?

- A** the break-even point revenue  
**B** the margin of safety in terms of revenue  
**C** the profit at break-even point  
**D** the total contribution at break-even point

28 The budget for a product is shown.

unit sales	620 000
	\$
selling price per unit	31
variable cost per unit	16
contribution per unit	<u>15</u>
fixed costs	\$7 500 000

If the fixed costs rise to \$7 800 000, the selling price is reduced to \$29 per unit, and the variable cost remains unchanged at \$16 per unit, the sales are likely to reach 660 000 units.

By what percentage will the break-even point increase?

- A** 4.0%      **B** 11.2%      **C** 16.7%      **D** 20.0%

29 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

30 A business provides the following information.

month	number of labour hours	overheads \$
May	68 000	986 000
June	134 000	1 316 000

The variable overhead rate per labour hour was \$5.

What was the monthly fixed overhead cost?

- A** \$330 000      **B** \$340 000      **C** \$646 000      **D** \$670 000



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