Cambridge International A Level

Cambridge International Examinations
Cambridge International Advanced Level

ACCOUNTING **9706/33**

Paper 3 Multiple Choice **October/November 2014**

1 hour

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

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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.

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CAMBRIDGE International Examinations

[Turn over

1 X and Y are in partnership sharing profit in the ratio of 2 : 1.

Z is introduced as a partner and the new profit sharing ratio is 2 : 1 : 1. At that time total tangible assets will be revalued with a net increase. There is no adjustment for goodwill.

Which increases in capital take place?

A X and Y's equally

B X and Y's in the ratio 2 : 1

C X, Y and Z's equally

D X, Y and Z's in the ratio 2 : 1 : 1

2 Information relating to plant and machinery of a business is as follows.

	31 December 2013 $	31 December 2014 $
cost	750 000	950 000
accumulated depreciation	250 000	390 000

Which statement explains the depreciation policy of the business?

A Plant and machinery is depreciated at 15% per annum using straight-line method.

B Plant and machinery is depreciated at 20% per annum using straight-line method.

C Plant and machinery is depreciated at an annual rate of 15% on a reducing balance basis.

D Plant and machinery is depreciated at an annual rate of 20% on a reducing balance basis.

3 A company provides the following information about its tax.

	$
liability at 31 December 2012	46 090
charge for the year	41 900
liability at 31 December 2013	37 710

Which amount for tax is shown in the statement of cash flows for the year ended 31 December 2013?

A $33 520 **B** $41 900 **C** $46 090 **D** $50 280

4 A manufacturing business calculates its factory profit at 20% on cost of production.

	$
indirect materials	35 000
direct materials	168 000
carriage inwards	16 000
carriage outwards	11 000
direct labour	195 000
rent of factory	115 000

What is the factory profit to be transferred to the income statement?

A $102 600 **B** $104 800 **C** $105 800 **D** $108 000

5 A company uses its distributable reserves to buy back some of its shares.

Which account must be credited with an amount equal to the purchase cost if no new shares are issued?

A capital redemption reserve

B income statement

C share capital

D share premium

6 A business redeems debentures by cash payment.

What is the effect of this?

	equity	non-current liabilities	working capital
A	decrease	decrease	decrease
B	decrease	decrease	no change
C	no change	decrease	decrease
D	no change	increase	decrease

7 A company is planning to make a bonus issue and a rights issue of its ordinary shares.

What would be the effect of these on the total equity?

	bonus issue	rights issue
A	increase	increase
B	increase	no effect
C	no effect	increase
D	no effect	no effect

8 When a shareholder sells some shares for less than she paid for them, what will happen to the share capital of the company?

A It will fall by the nominal value of the shares sold.

B It will fall by the sales proceeds of the shares sold.

C It will increase by the amount received from the sale of the shares.

D It will remain the same as before.

9 A company purchases a business with future earnings of $100 000 per annum.

The net assets purchased have a book value of $225 000, but are valued at $300 000.

The company negotiated a purchase price, which will meet its return on investment of 20%.

What is the amount paid for goodwill?

A $75 000 **B** $200 000 **C** $275 000 **D** $500 000

10 X and Y are in partnership sharing profits and losses in the ratio of 3 : 2, with capital account balances of $240 000 and $210 000 respectively.

After agreeing that the net assets of the partnership had a value $50 000 in excess of the book value, a company purchased the partnership for $500 000.

The purchase consideration was 200 000 $1 ordinary shares at $1.60 each allocated to the partners equally, with the balance paid in cash.

How much cash did X receive?

A $70 000 **B** $80 000 **C** $100 000 **D** $110 000

11 A company had the following capital and reserves.

	$
ordinary shares of $1 each	100 000
share premium	20 000
retained earnings	10 000

It purchased a business for $125 000 by means of:

a cash payment of $50 000

a debenture loan of $15 000

an issue of 30 000 $1 ordinary shares at a premium of 100%.

What will be the shareholders' funds following the acquisition?

A $130 000 **B** $160 000 **C** $180 000 **D** $190 000

12 Which item will **not** appear in the statement of changes in equity for a company?

A a bonus share issue

B a change in accounting policy which has affected retained earnings

C depreciation charges

D interim dividend paid during the year

13 A company provides the following information.

	$
retained earnings at start of year	250 000
profit for the year	140 000
final dividend paid in respect of previous year	60 000
interim dividend paid	30 000
proposed final dividend for the current year	70 000

What is the balance of retained earnings at the year end?

A $230 000 **B** $290 000 **C** $300 000 **D** $390 000

14 Which statement concerning accounting policies is correct?

A Accounting policies may be changed if accounting standards require them to change.

B Accounting policies should not change once the company has applied them.

C If an accounting policy is changed, prior year comparative figures need not be amended.

D If an accounting standard requires the use of a particular accounting policy, it must be used by all companies.

15 A trader provides the following information.

	$
8% debentures	100 000
bank overdraft	23 000
trade receivables	15 000
trade payables	14 000
rent received in advance	7 000
bank loan repayable in two year's time	20 000

What is the total of the non-current liabilities and current liabilities?

	non-current liabilities $	current liabilities $
A	100 000	41 000
B	100 000	43 000
C	120 000	41 000
D	120 000	44 000

16 The following balances are available at 31 March 2012 for a limited company.

	$
ordinary shares at $2 each	120 000
share premium account	18 000
revaluation reserve	60 000
retained earnings	(45 000)
	153 000

The following information relates to the year ended 31 March 2013.

Land and buildings with a net book value of $250 000 were revalued at $260 000.

Profit after tax was $90 000.

Dividends at $0.05 per share were paid in the year.

What were the balances on the revaluation reserve and retained earnings amounts at 31 March 2013?

	revaluation reserve $	retained earnings $
A	50 000	33 000
B	50 000	42 000
C	70 000	33 000
D	70 000	42 000

17 A company makes annual profits of $50 million, before paying interest of $10 million and ordinary dividends of $20 million.

It has in issue 80 million ordinary shares of $1.00 each, with a current market value of $7.00 each.

What is the price-earnings ratio?

A 7 **B** 11.2 **C** 14 **D** 28

18 Which change to the financial structure of a company would result in an increased level of gearing?

A a bonus issue of ordinary shares

B creating equity following conversion of loan stock on redemption

C issue of preference shares

D retained profit for a year added to revenue reserves

19 The following data is available for the first year of trading for a business to 31 December 2013.

inventory at 31 December 2013	$360 000
inventory turnover during 2013	6 times

What was the value of purchases during 2013?

A $720 000 **B** $1 080 000 **C** $1 260 000 **D** $1 440 000

20 A company provides the following information.

	$
profit from operations	150 000
interest charges	(30 000)
profit for the year	120 000
transfer to general reserve	(20 000)
retained earnings at start of year	100 000
retained earnings at end of year	200 000

During the year the company paid dividends of $40 000.

What was the dividend cover?

A 2.50 times

B 3.00 times

C 3.75 times

D 5.00 times

21 When is a non-current asset impaired?

A the fair value is less than the present value of future cash flows

B the fair value is more than the present value of future cash flows

C the recoverable amount is less than net book value

D the recoverable amount is more than net book value

22 A company makes and sells one product, details of which are shown.

	$
direct materials and labour	26
variable production overhead	7
fixed overhead	18
cost per unit	51

Selling price per unit was $75. Opening inventory was 500 units and closing inventory was 300 units. Sales during the period were 3200 units and actual fixed overheads totalled $53 900.

What was the total contribution earned during the period?

A $76 800 **B** $126 000 **C** $134 400 **D** $156 800

23 A company has the following production budget details for the next period.

budgeted sales	980 units
raw material per unit	1 kilo
opening inventory of raw materials	100 kilos
budgeted closing inventory of raw materials	140 kilos
budgeted loss in process	2%

There is no opening or closing inventory of finished goods.

How many kilos of raw material must it purchase in order to achieve its production budget?

A 940 **B** 960 **C** 1020 **D** 1040

24 A company has fixed costs of $180 000. It makes a single product that it sells for $10 per unit, with a marginal cost of production equal to 20% of the selling price.

How many units does the company need to sell to make a profit of $20 000?

A 20 000 **B** 22 500 **C** 25 000 **D** 100 000

25 A business using flexible budgeting shows the following.

output in units	90 000	120 000
total fixed and variable costs	$640 000	$760 000

What are the variable costs per unit?

A $3.00 **B** $4.00 **C** $6.33 **D** $7.11

26 A company takes four direct labour hours to make one unit of product. 10% of the units are rejected after manufacture.

Budgets for the next month are as follows.

	units
opening inventory of finished goods	4000
closing inventory of finished goods	3500
budgeted sales	13100

All inventories of finished goods are suitable for sale.

What are the total of budgeted direct labour hours for the month?

A 50400 hours

B 55440 hours

C 56000 hours

D 59840 hours

27 The table shows the labour costs of a unit of product.

standard		actual	
hours	cost per hour	hours	cost per hour
5.00	$30.00	4.80	$32.00

What are the labour rate variance and the labour efficiency variance?

	variance	
	labour rate	labour efficiency
A	$6.00 adverse	$9.60 favourable
B	$6.00 favourable	$9.60 adverse
C	$9.60 adverse	$6.00 favourable
D	$9.60 favourable	$6.00 adverse

28 Budgeted and actual results are as follows.

	budgeted	actual
labour hours per unit	100	120
labour rate per hour	$8	$9
materials usage per unit	100 kilos	80 kilos
materials price per unit	$5	$5

What is the total variance per unit manufactured?

A $80 adverse

B $80 favourable

C $180 adverse

D $180 favourable

29 Which statement concerning the payback method is correct?

A A longer payback period is more acceptable than a shorter one.

B All cash flows earned over the life of the project are taken into account.

C It considers the future value of cash received in comparison to outlay.

D It shows the length of time needed for proceeds of the project to cover the outlay.

30 A company is operating under a capital rationing constraint. It is considering investing in the following projects.

project	investment $	NPV $
X	300 000	50 000
Y	200 000	30 000
Z	400 000	55 000

In which order should the three projects be ranked for their ability to maximise the overall net present value?

A XYZ **B** XZY **C** YZX **D** ZYX

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