



Cambridge International AS & A Level

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ACCOUNTING

9706/21

Paper 2 Structured Questions

May/June 2022

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any rough working.
- You may use a calculator.
- You should present all accounting statements in good style.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION

- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [].

This document has **20** pages. Any blank pages are indicated.

1 Khin is a retailer.

The following balances have been extracted from his books of account at 31 January 2022.

	\$
Advertising	4 900
Carriage inwards	2 140
Carriage outwards	1 730
Furniture and equipment at cost	18 900
Furniture and equipment provision for depreciation at 1 February 2021	7 300
General expenses	13 450
Inventory at 1 February 2021	12 310
Irrecoverable debts	670
Loss on disposal of delivery vehicle	1 350
Premises at cost	360 000
Premises provision for depreciation at 1 February 2021	21 600
Provision for doubtful debts at 1 February 2021	840
Purchases	118 220
Rent receivable	7 000
Revenue	197 300
Trade receivables	15 580
Wages and salaries	34 640

The following information is also available at 31 January 2022.

- 1 Closing inventory was valued at \$13 480.
- 2 No record had been made of goods taken for own use by Khin, \$910.
- 3 An irrecoverable debt of \$380 is to be written off.
- 4 The provision for doubtful debts is to be maintained at 5% of trade receivables.
- 5 Advertising includes a payment of \$3250 for a campaign which will last from 1 December 2021 to 30 April 2022.
- 6 Rent receivable is \$500 per month.
- 7 Wages, \$1440, are outstanding.
- 8 Khin sold his business's only delivery vehicle in January 2022 resulting in the loss of \$1350 shown in the balances at 31 January 2022.
- 9 The business's depreciation policy is as follows:
 - i Premises to be depreciated by 2% per annum using the straight-line method.
 - ii Furniture and equipment to be depreciated by 15% using the reducing balance method.

Workings:

[15]

Additional information

There was no opening balance on the rent receivable account at 1 February 2021.

REQUIRED

(b) Prepare the rent receivable account for the year ended 31 January 2022.

Rent receivable account

	\$		\$

[2]

- (c) Prepare a journal entry to record the adjustment to the provision for doubtful debts account at 31 January 2022. A narrative is **not** required.

Journal

	Dr \$	Cr \$

[2]

Additional information

Khin intends to purchase a new delivery vehicle. He is not sure whether the delivery vehicle should be depreciated using the straight-line method or reducing balance method of depreciation.

REQUIRED

- (d) Explain the reason for recording depreciation in a business's income statement.

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..... [2]

- (e) State **one** benefit of using each of the following methods of depreciation.

- (i) Straight-line

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..... [1]

- (ii) Reducing balance

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..... [1]

2 Yasmin is a sole trader. She has prepared a trial balance. Some errors are not revealed by a trial balance.

REQUIRED

(a) Describe **each** of the following errors. Examples are **not** required.

(i) Error of commission

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..... [2]

(ii) Error of original entry

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..... [2]

(iii) Error of principle

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..... [2]

Additional information

When Yasmin prepared a trial balance for her business at the year-end, 31 December 2021, the totals did not agree. The difference was entered in a suspense account.

The following errors were discovered which accounted for the difference.

- 1 Goods for own use, \$430, had been debited to the drawings account but no other entry had been made.
- 2 Returns inwards of \$740 had been credited to the returns outwards account.
- 3 An irrecoverable debt of \$260 had been correctly recorded in the journal and in the account of the customer, but had been posted to the wrong side of the irrecoverable debts account.

REQUIRED

- (b) Prepare the suspense account clearly identifying the original difference in the trial balance totals.

Suspense account

	\$		\$

[5]

Additional information

The business's draft profit before correcting the errors was \$28 750 for the year ended 31 December 2021.

REQUIRED

- (c) Complete the following table to calculate the corrected profit for the year ended 31 December 2021.

	\$
Draft profit	28 750
Error 1	
Error 2	
Error 3	
Corrected profit	

[4]

[Total: 15]

PLEASE TURN OVER

- 3 Maria and Rio have been in partnership for a number of years. They are considering admitting a new partner.

REQUIRED

- (a) State **three** disadvantages to the existing partners when a new partner is admitted.

1

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2

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3

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[3]

Additional information

The partnership year end is 31 December. For the period 1 January to 30 September 2021, Maria and Rio did not have a partnership agreement.

The following information is available for the year ended 31 December 2021.

The balances on the partners' accounts on 1 January 2021 were:

	\$
Capital accounts	
Maria	52 000
Rio	38 000
Loan account: Rio	6 000

On 1 October 2021 they admitted Sarah as a partner. Sarah introduced capital of \$45 000 from her personal savings. The partners agreed to make no adjustments for goodwill or the revaluation of the partnership assets.

From 1 October 2021 a formal partnership agreement was prepared as follows:

- 1 Rio to be given interest on his loan at 8% per annum.
- 2 Interest to be given at 6% per annum on fixed capitals.
- 3 Rio to be given a partnership salary of \$15 000 per annum.
- 4 Profits to be shared in the ratio Maria : Rio : Sarah, 2 : 1 : 2 respectively.

PLEASE TURN OVER

4 N Limited manufactures a single product at one of its factories. The company uses marginal costing.

REQUIRED

(a) State **two** benefits of using break-even analysis.

1

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2

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[2]

(b) Define the term 'fixed costs'.

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[2]

Additional information

The following details are available for one month's production:

Fixed costs	\$70 000
Break-even point	8 000 units
Selling price per unit	\$20
Margin of safety	\$80 000

REQUIRED

(c) Calculate the variable cost per unit.

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[3]

Additional information

The directors have decided to increase output by 20%. All the output can be sold.

New machinery will be purchased at a cost of \$72 000. The new machinery will have a useful life of 5 years. The directors also plan the following:

- 1 Variable costs will remain unchanged.
- 2 Selling prices will be reduced by 5% to ensure that all production can be sold.
- 3 The cost of the new machinery will be financed by the issue of 10% debentures.

REQUIRED

(d) (i) Calculate the monthly revenue based on this plan.

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..... [2]

(ii) Prepare a budgeted marginal costing statement for one month based on this plan for total production.

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..... [6]

Additional information

A director has suggested an alternative plan that the factory should produce extra units in May 2022 to make up for the shortfall of either Product X or Product Y in June 2022. Any additional production will require overtime to be worked.

The following information is available:

- 1 All material requirements can be met in May 2022 but the material has to be converted into finished product immediately as purchased.
- 2 Overtime is paid at 1.5 times the normal rate.
- 3 The extra units will be stored at a cost of \$4000.

REQUIRED

(f) Calculate the profit or loss to be made on the extra units if this plan is implemented in May 2022.

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..... [3]

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