



Cambridge International Examinations

Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE NAME				
CENTRE NUMBER		CANDIDATE NUMBER		

9706/22 **ACCOUNTING**

Paper 2 Structured Questions

May/June 2015

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for rough working.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer all questions.

All accounting statements are to be presented in good style.

International accounting terms and formats should be used as appropriate.

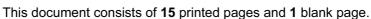
Workings must be shown.

You may use a calculator.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.









1 Khalid owns a wholesale business selling electrical goods. He does not keep proper books of account, but is able to provide the following information.

Balances at 1 January 2014

	\$
Motor vehicle at cost	38400
Motor vehicle provision for depreciation	12600
Fixtures and fittings at cost	41940
Fixtures and fittings provision for depreciation	22680
Trade receivables	26610
Trade payables	19920
Inventory	33 500
Prepayment of two months' property rental	3750
General expenses accrued	410
Cash in hand	360

Summary of bank account for the year ended 31 December 2014

,		-)	
	Dr		Cr
	\$		\$
Balance at 1 January 2014	4110	Payments to credit suppliers	134 750
Receipts from credit customers	200270	Drawings	22 185
Cash sales banked	9675	Property rental	20625
Balance at 31 December 2014	11 295	General expenses	6 6 5 0
		Purchase of motor vehicle	10 100
		Wages and salaries	26 150
		Motor expenses	4890
	225 350	·	225 350

REQUIRED

Calculate Khalid's opening capital at 1 January 2014.
[5]



Additional information

- 1 For the year ended 31 December 2014: Credit sales \$193400 Cash sales \$15180
- 2 Trade payables at 31 December 2014 were \$21590.
- 3 All sales are made at 30% gross profit margin.

REQUIRED

(b)	Cal	culate the following for the year ended 31 December 2014.	
	(i)	Sales revenue	
			[1]
	(ii)	Purchases	
			[1]
(c)	Cal	culate the value of closing inventory at 31 December 2014.	
			[3]

4



Additional information

Before banking his receipts from cash sales, Khalid took \$400 per month for his personal drawings. The only other cash payments during the year were for motor expenses.

Cash in hand at 31 December 2014 was \$460.

REQUIRED

(d)	Prepare t payment r	he cash nade for	account motor ex	t for th openses	ie yea s.	r ended	31	December	2014	to	identify	the	cash
										••••			
							•••••	•••••		••••			
							•••••			••••			

Additional information

- 1 Khalid allowed a total of \$914 discount to credit customers.
- 2 Motor vehicles are depreciated at 25% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase, but none in the year of sale.
- During the year, a motor vehicle that had cost \$16 000 on 1 July 2012 was traded in for \$8200. The balance of the purchase price for the new vehicle was paid by cheque.
- 4 Fixtures and fittings are depreciated at 15% per annum using the reducing balance method. There were no additions or sales of fixtures and fittings during the year.
- 5 There was no accrual for general expenses at 31 December 2014.
- 6 Prepaid rent at 31 December 2014 was \$1875.

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REQUIRED

(e)	Prepare Khalid's income statement for the year ended 31 December 2014.
	[16]

[Total: 30]



2 Kim, a sole trader, provided the following statement.

Statement of financial position at 30 September 2014

Non-current assets	\$
Motor vehicles Equipment Fixtures and fittings	100 000 80 000 <u>172 000</u> <u>352 000</u>
Current assets	
Inventory Trade receivables	105 000 <u>343 000</u>
Trade receivables	448 000
Total assets	800 000
Capital and liabilities	
Opening capital Add profit for the year	600 000 80 000
Add profit for the year	680 000
Less Drawings	88 000
	<u>592 000</u>
Current liabilities	
Trade payables Bank overdraft	192 000 16 000
Dank Overdrait	208 000
Total capital and liabilities	800 000

Additional information

- 1 On 1 October 2014 Kim admitted Chan as a partner.
- **2** Goodwill was valued at \$120,000 but will not remain in the books of the partnership.
- 3 The profit sharing ratio was agreed at Kim 60% and Chan 40%.
- 4 Chan agreed to pay a cheque of \$160 000 to the partnership. In addition he introduced equipment valued at \$325 000 and inventory valued at \$26 000.

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REQUIRED

(a)	Prepare the capital accounts of Kim and Chan at 1 October 2014.
	[10



(b)	Prepare a statement of financial position for the partnership at 1 October 2014.
	[8]

(c)	State three advantages to Kim of forming a partnership.
	[3]
Ad	ditional information
Kim	has provided for doubtful debts at a rate of 2%.
Cha	an would like to change the existing rate of the provision to 5%.
RE	QUIRED
(d)	Explain why this change might be necessary.
	[5]



(e)	Calculate the difference in the provision for doubtful debts if the existing rate had changed 5%.
	[2]
(f)	State how this change would affect the partnership's income statement and statement of financial position.
	[2]
	[Total: 30]

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3 Kapoor Limited is a company which has **two** production departments, machining and finishing, and **two** service departments, maintenance and canteen. The following information is available.

The forecast overheads for the year ending 31 March 2015 were as follows.

	\$
Power	32000
Machine depreciation	28400
Supervision	28 000
Rent and rates	26 000
Buildings insurance	11 000
Light and heat	9000

The following additional information is available.

	Machining	Finishing	Maintenance	Canteen
Number of employees	16	24	8	_
Floor area (square metres)	12000	14 000	3 0 0 0	1 000
Net book value of machinery (\$)	140 000	25 000	13 000	2000
Kilowatt hours	6000	3 0 0 0	2000	1000
Maintenance department hours	66%	34%	_	_



REQUIRED

(a) Apportion the forecast overheads to the **four** departments and re-apportion the service departments' costs to production departments using a suitable basis for each.

	Basis	Total \$	Machining \$	Finishing \$	Maintenance \$	Canteen \$
Power						
Machine depreciation						
Supervision						
Rent and rates						
Buildings insurance						
Light and heat						
Total apportioned overheads						
Reapportionment of canteen						
Subtotal						
Reapportionment of maintenance						
Total						

[10]



Additional information

The following information for the year is also provided.

	udgeted machine hours udgeted direct labour hours	Machining 58 000 26 000	Finishing 8 000 42 000	Maintenance 4 000 12 000	Canteen – –
RE	QUIRED				
(b)	Calculate an appropriate ove decimal places.	rhead absorpti	on rate for ea	ch production de	epartment to two
					[4]
Add	ditional information				
The	e actual results for the year end	ed 30 March 20	015 were as fo	ollows.	
	Factory overheads Direct labour hours Direct machine hours	M	lachining F \$82 436 27 410 56 120	Finishing \$56 980 41 295 7 310	
RE	QUIRED				
(c)	Calculate the under absorp department.	tion or over a	absorption of	overheads for	each production



(d)	State two reasons for the under absorption or over absorption of overheads, calculated apart (c) , for each department.	
	Machining reason 1	
	Machining reason 2	I a I
		111
	Finishing reason 1	
		11
	Finishing reason 2	
	[4	
(e)	Explain why estimated figures are used to calculate overhead absorption rates.	
		•
)1
	[3	ני



[Total: 30]

Additional information

Kapoor Limited produces a single component. The directors have been asked to prepare a quotation for a customer who requires 150 units of the component. Kapoor Limited requires 45% gross profit on mark-up on this order.

Product information

Direct materials	\$9.40
Direct labour hours – machining	45 minutes at \$8.40 per hour
Direct labour hours – finishing	20 minutes at \$6.60 per hour
Machine hours – machining	30 minutes
Machine hours – finishing	10 minutes

REQUIRED

(f)

Calculate the full invoice value of the order.
[5]

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