

CANDIDATE  
NAME

CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ACCOUNTING**

**9706/22**

Paper 2 Structured Questions

**February/March 2017**

**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 any diagrams or graphs or 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.

This document consists of **17** printed pages and **3** blank pages.





**Additional information**

- 1 All sales made a gross margin of 40%.
- 2 During the year, Razia had taken goods, \$640 at cost price, for her own use.
- 3 Inventory at 30 June 2016 had been counted and was valued at cost price \$31 900. Razia was aware that some goods had been stolen during the year.
- 4 Razia owed \$8940 to trade suppliers at 30 June 2016.

**REQUIRED**

- (b) Calculate the value of inventory stolen during the year ended 30 June 2016 at cost price.

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..... [4]

**Additional information**

- 1 At 30 June 2016, the following expenses were accrued:

	\$
Assistants' wages	120
Light and heat	150

- 2 Non-current assets should be depreciated as follows:

Shop fixtures and fittings at 15% per annum using the reducing balance method

Motor vehicle using the straight-line method over five years. The estimated residual value of the motor vehicle after five years is \$400.

- 3 The annual charge for shop rental is \$21 600.



(d) Calculate, to **two** decimal places, the following ratios at 30 June 2016. State the formula used in each case.

(i) Current ratio

Formula .....

.....

Calculation .....

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..... [2]

(ii) Liquid (acid test) ratio

Formula .....

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Calculation .....

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..... [2]

(e) (i) Name **two** other ratios a business could calculate to explain its liquidity position.

1 .....

2 ..... [2]

(ii) State **two** limitations of using ratio analysis.

1 .....

.....

2 .....

..... [2]



**Question 2 is on the next page.**

2 Sturgess has provided the following information:

- 1 The provision for doubtful debts at 1 August 2015 was \$1940.
- 2 Trade receivables at 31 July 2016 were \$48 500.
- 3 A customer owing \$2100 has been declared bankrupt. This amount is to be written off.
- 4 A customer owing \$900 did not pay within the agreed credit terms. There are concerns about the recovery of this debt.
- 5 The business policy is to make a 5% provision for doubtful debts on remaining trade receivables.

**REQUIRED**

(a) (i) State **one** reason why a business may make a provision for doubtful debts.

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..... [1]

(ii) State **one** accounting concept applied while making the provision for doubtful debts.

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..... [1]

(iii) Prepare the provision for doubtful debts account for the year ended 31 July 2016.

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..... [5]



(b) Explain how a provision for doubtful debts is treated in:

(i) the statement of financial position

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(ii) the income statement

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..... [3]

**Additional information**

- 1 Accrued telephone expenses at 1 August 2015 were \$275.
- 2 Prepaid telephone expenses at 1 August 2015 were \$380.
- 3 The total amounts paid for telephone expenses during the year were \$4750. This included a rental charge of \$2980 covering the period from 1 November 2015 to 31 October 2016.
- 4 Telephone call charges of \$840 were paid on 12 September 2016 covering the period from 1 June 2016 to 31 August 2016.

**REQUIRED**

(c) Prepare the telephone expenses account for the year ended 31 July 2016.

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..... [5]

**[Total: 15]**

3 King provided the following information for non-current assets at 1 April 2015.

	\$
Property plant and machinery	
Land and buildings – cost	252 000
Plant and machinery – cost	123 000
Accumulated depreciation	
Buildings	21 000
Plant and machinery	49 000

During the year ended 31 March 2016, the following took place:

- 1 Land was revalued to \$202 500. It had originally cost \$182 000.
- 2 A machine was sold on 30 November 2015. It had a net book value on 1 April 2015 of \$46 350 and an original cost of \$76 200.
- 3 A machine was purchased on 1 December 2015 at a cost of \$62 850.

The depreciation policy for non-current assets is as follows:

Buildings 2% per annum using the straight-line method

Plant and machinery 20% per annum using the reducing balance method

Depreciation is charged on a month-by-month basis.

**REQUIRED**

(a) Calculate the **total** depreciation charge for buildings for the year ended 31 March 2016.

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..... [1]

(b) Calculate the **total** depreciation charge for plant and machinery for the year ended 31 March 2016.

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..... [3]



(d) State **three** causes of depreciation.

1 .....

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2 .....

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3 .....

..... [3]

**[Total: 15]**

4 Miu owns a manufacturing business making a single product.

**REQUIRED**

(a) State the difference between a cost unit and a cost centre.

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(b) State the difference between a production cost centre and a service cost centre.

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(c) State what is meant by contribution.

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..... [2]

**Additional information**

Miu currently uses marginal costing to value her inventory. The following budgeted information is available for the months of January and February:

Per unit		\$	
Selling price		12	
Variable production cost		5	
		January	February
		\$	\$
Fixed production overhead costs		9000	9000
Fixed administrative costs		800	800
		Units	Units
Sales		3600	5400
Production		4500	4500

There was **no** opening inventory in January.

Production is expected to be 54 000 units for the year.



**Additional information**

Miu is considering using absorption costing to value her inventory.

**REQUIRED**

(e) Calculate the production overhead absorption rate per unit.

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..... [1]

(f) Prepare a budgeted profit statement for **each** of the two months, January and February, using **absorption costing**. Clearly show the opening and closing inventories each month.

Budgeted Profit Statement

January		February	
\$	\$	\$	\$

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(g) Reconcile the difference in budgeted profit figures in parts (d) and (f).

January  
\$

February  
\$

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..... [3]

(h) Advise Miu whether or not she should change from marginal costing to absorption costing. Give reasons to justify your answer.

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**[Total: 30]**





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