

ACCOUNTING

Paper 2 Structured Questions

9706/22 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.

This document consists of 15 printed pages and 1 blank page.

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

\$
38400
12600
41940
22680
26610
19920
33 500
3750
410
360

Summary of bank account for the year ended 31 December 2014

	Dr		Cr
	\$		\$
Balance at 1 January 2014	4110	Payments to credit suppliers	134750
Receipts from credit customers	200270	Drawings	22 185
Cash sales banked	9675	Property rental	20625
Balance at 31 December 2014	11295	General expenses	6650
		Purchase of motor vehicle	10 100
		Wages and salaries	26 150
		Motor expenses	4 8 9 0
	225 350	-	225350

REQUIRED

(a) 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) Calculate the following for the year ended 31 December 2014.
 - (i) Sales revenue

(ii) Purchases
[1]
(c) Calculate the value of closing inventory at 31 December 2014.
[1]

[3]

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 the cash account for the year ended 31 December 2014 to identify the cash payment made for motor expenses.

[4]

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.
- 3 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.

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	100 000
Equipment	80 000
Fixtures and fittings	<u>172 000</u> <u>352 000</u>
	002 000
Current assets	
Inventory	105 000
Trade receivables	<u>343 000</u>
	<u>448 000</u>
Total assets	800 000
Capital and liabilities	
Opening capital	600 000
Add profit for the year	80 000
Less Drawings	680 000 <u>88 000</u>
	<u>592 000</u>
	002 000
Current liabilities	
Trade payables	192 000
Bank overdraft	<u>16 000</u>
	<u>208 000</u>
Total capital and liabilities	<u>800 000</u>

Additional information

- 1 On 1 October 2014 Kim admitted Chan as a partner.
- 2 Goodwill was valued at \$120000 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.

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]

8

9

(c) State three advantages to Kim of forming a partnership.

[3]

Additional information

Kim has provided for doubtful debts at a rate of 2%.

Chan would like to change the existing rate of the provision to 5%.

REQUIRED

(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 to 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	28000
Rent and rates	26000
Buildings insurance	11000
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	14000	3000	1 000
Net book value of machinery (\$)	140 000	25000	13000	2000
Kilowatt hours	6000	3000	2000	1 000
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]

The following information for the year is also provided.

	Machining	Finishing	Maintenance	Canteen
Budgeted machine hours	58000	8000	4 000	_
Budgeted direct labour hours	26000	42000	12000	_

REQUIRED

(b) Calculate an appropriate overhead absorption rate for **each** production department to **two** decimal places.

[4]

Additional information

The actual results for the year ended 30 March 2015 were as follows.

	Machining	Finishing
Factory overheads	\$82436	\$56980
Direct labour hours	27410	41 295
Direct machine hours	56 120	7310

REQUIRED

(c) Calculate the under absorption or over absorption of overheads for **each** production department.

[4]

part (c), for each department. Machining reason 1 -----Machining reason 2 Finishing reason 1 Finishing reason 2 [4] (e) Explain why estimated figures are used to calculate overhead absorption rates.

(d) State two reasons for the under absorption or over absorption of overheads, calculated in

[3]

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\$9.40Direct labour hours – machining45 minutes at \$8.40 per hourDirect labour hours – finishing20 minutes at \$6.60 per hourMachine hours – machining30 minutesMachine hours – finishing10 minutes

REQUIRED

(f) Calculate the full invoice value of the order.

[5]
[Total: 30]

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