

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Advanced Subsidiary Level and Advanced Level

CANDIDATE NAME			
 CENTRE NUMBER			CANDIDATE NUMBER
ACCOUNTING			9706/23
Paper 2 Structu	ured Questions		October/November 2011
			1 hour 30 minutes
Candidates ans	wer on the Question Pa	per.	
No Additional M	laterials 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 a soft pencil for rough working.Do not use staples, paper clips, highlighters, 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.

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1				
2				
3				
Total				

This document consists of **12** printed pages.



- 1 Carl and Daniel are in partnership. Their partnership agreement provides that:
 - 1 Daniel has a partnership salary of \$3000 per annum
 - 2 Interest on capital is 6% per annum
 - 3 Interest on drawings is charged
 - 4 Residual profits / losses are shared 3:2 respectively.

The partners have never kept full accounting records but provided the following information:

Cash book summary for the year ended 31 December 2010

	\$			\$
Balance b/d	2 178	Trade p	ayables	195 911
Trade receivables	44 049	Wages		63 156
Cash sales	332 467	Purchas	se of machine	8 800
Rent received	7 000	Genera	l expenses	56 676
		Drawing	gs – Carl	35 660
		Drawing	gs – Daniel	26 480
The assets and liabilities were:				
		ary 2010	31 December	2010
		\$	\$	
Fixed capital account – Carl		000Cr	100 0000	
Fixed capital account – Daniel		000Cr	70 000C	r
Current account – Carl		210Cr	?	
Current account – Daniel	1:	304Cr	?	
Machinery (Net Book Value)	147 (000	145000	
Motor vehicle (Net Book Value)	16	000	8 000	
Inventory	14 (003	13 471	
Trade receivables	:	317	183	
Trade payables	4 8	872	5 163	
Wages accrued	(612	938	
Rent receivable accrued	!	500	_	
Rent receivable prepaid		_	500	

Additional information:

- 1. During the year, an old machine which had cost \$10 000 was traded in for \$3200 in part exchange for a new machine costing \$12 000. The old machine had been depreciated by \$6000 over its lifetime.
- 2. Interest on drawings for the year amounted to:

Carl – \$230 Daniel – \$100 For Examiner's Use

Propare the income statement (trading and profit and less account) and enprepriation
Prepare the income statement (trading and profit and loss account) and appropriation account for Carl and Daniel for the year ended 31 December 2010.

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- 2 Answer Sections A and B.
 - Α Sarah runs a wholesale business. An extract from her statement of financial position (balance sheet) at 31 December 2009 shows:

Motor vehicles at cost \$371 000 Motor vehicle accumulated depreciation \$130 000

During the financial year ended 31 December 2010 the following transactions took place.

- A motor vehicle purchased on 1 January 2006 for \$9200 was sold on 1 30 June 2010 for \$500.
- 2 A motor vehicle was purchased on 1 April 2010 for \$15 000.

Depreciation is charged at 20% per annum on cost, with the rate being applied for each part of the year. No allowance is made for any residual value.

All motor vehicles held by the company at 31 December 2010 had been purchased within the previous five years.

All transactions are by cheque.

REQUIRED

(a) Prepare the following ledger accounts for the year ended 31 December 2010.

(i)	Motor vehicles account
	[4]
(ii)	Provision for depreciation of motor vehicles account
	[4]

	(iii)	Motor vehicle disposal account	1
			Exa
		[4]	
(b)	Prep non-	pare an extract from the statement of financial position (balance sheet) for current assets at 31 December 2010.	
		[2]	
(c)	Expl	ain why businesses provide for depreciation on their non-current assets.	

B The treasurer of Hamilton Social Club has provided the following information for the year ended 31 March 2011.

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Café inventory at cost	31 March 2010 \$ 3400	31 March 2011 \$ 3950
Café trade payables	1570	880
Subscriptions in arrears Equipment (net book value)	240 5400	120 9360
Stock of stationery at cost	110	85
Cash at bank 5% loan (repayable 2015)	1800	340 5000

Equipment costing \$5000 was purchased on 1 April 2010. It was financed by the 5% loan. At the year end 31 March 2011, no payment of interest had been made.

Included in the café inventory at 31 March 2011 were items costing \$120 that were out of date. They had a net realisable value of \$30.

REQUIRED

(a) Prepare a statement of financial position (balance sheet) for Hamilton Social Club at 31 March 2011. Show clearly the surplus or deficit for the year. An income and expenditure account is **not** required.

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Redwood Manufacturing Ltd started in business on 1 January 2008 to manufacture furniture 3 to customers' special requirements. The following information is available for its first three Examiner's years in business.

Fixed Costs Direct materials (per unit) Direct labour (per unit) Variable overheads (per unit) Selling price (per unit)	2008 \$ 60 000 15 8 4 40	2009 \$ 66 000 15 9 6 44	2010 \$ 70 000 16 9 7 46
The production and sales quantitie	es during the pe	eriod were:	
Production (units) Sales (units)	15 000 12 000	12 000 13 000	16 000 16 000

All inventory has been valued using FIFO.

REQUIRED

- (a) Prepare a statement showing the gross profit for each of the three years if the company used
 - marginal costing principles to valuing inventory (stock); (i)

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(ii)	absorption costing principles to valuing inventory (stock).	For
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(b) Prepare a statement to reconcile the amounts of profit for **each** of the **three** years calculated under **both** marginal costing and absorption costing principles.

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[Total: 30]

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