

# UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS Advanced Subsidiary Level and Advanced Level

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		



ACCOUNTING 9706/21

Paper 2 Structured Questions

October/November 2011
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 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.

For Exam	iner's Use
1	
2	
3	
Total	

This document consists of 12 printed pages.



1 Iqbal runs a small trading business which has been in operation for several years. Iqbal pays all sales receipts into the business bank account. The following is a summary of the bank account for the year ended 31 March 2011.

## Bank account summary for the year ended 31 March 2011

	\$		\$
Balance b/d	4 650	Trade payables	37 000
Trade receivables	85 000	Motor expenses	4 100
Cash sales	24 000	Rent	6 000
Capital	36 000	Rates	2 200
Loan	14 000	Wages	43 000
		Fixtures and fittings	40 000

#### Additional information

- 1 Discounts received from suppliers during the year ended 31 March 2011 were \$500.
- 2 Igbal allowed his customers discounts of \$1400 during the year ended 31 March 2011.
- 3 Iqbal had taken goods at a cost price of \$2400 for his personal use.
- 4 The loan was received on 1 October 2010 and interest is payable at 10% per annum.
- 5 The loan is due to be repaid in five years' time.
- 6 Iqbal has decided to create a provision for doubtful debts of 3% of the trade receivables outstanding at 31 March 2011.
- 7 Included in the wages figure in the bank account summary are Iqbal's drawings of \$25 000.

The remaining assets and liabilities of Iqbal were:

	1 April 2010 \$	31 March 2011 \$
Inventory at cost	8 000	9 200
Fixtures and fittings (Net Book Value)	36 000	68 000
Delivery van (Net Book Value)	10 000	7 500
Trade receivables	7 200	8 300
Trade payables	3 400	3 700
Motor expenses owing	300	_
Rent prepaid	400	600
Rates owing	200	_
Rates prepaid	_	300

© UCLES 2011 9706/21/O/N/11

# **REQUIRED**

(a)

Prepare the income statement (trading and profit and loss account) for Iqbal for the year ended 31 March 2011.

For Examiner's Use

[18]

l.   Fo   Exam   Us	Prepare the statement of financial position (balance sheet) for Iqbal at 31 March 2011.	)
2]	[12	
<b>:</b> 0]	[Total 30]	

2 Klix Limited's book-keeper prepared the following details about the firm's outstanding trade receivables at 31 December 2010.

For Examiner's Use

Age of debt	Trade Receivables
_	\$
Up to 30 days	16 800
31 to 60 days	12 600
61 to 90 days	7 100
Over 90 days	1 300

The following rates are applied for the estimation of doubtful debts.

Age of debt	%
Up to 30 days	1
31 to 60 days	2
61 to 90 days	3
Over 90 days	10

A provision for doubtful debts account is maintained. This had a balance of \$800 on 1 January 2010.

The bad debts written off for the year ended 31 December 2009 amounted to \$1420.

Debbie, a customer who owed the company \$700, has recently been declared bankrupt. This amount had been included in the details above as 'outstanding for 61 to 90 days'. It has been decided to write off the debt immediately.

On 2 October 2010, Harvey, a credit customer, ceased trading and Klix Limited received payment of \$0.25 in the dollar in final settlement of the debt of \$600. The remainder had been written off as a bad debt.

Other bad debts written off during the year ended 31 December 2010 totalled \$350. These had been taken into account when drawing up the list of trade receivables above.

#### **REQUIRED**

(a)	Calculate the amount which should be provided as a provision for doubtful debts at 31 December 2010. Show your workings.
	[6]

© UCLES 2011 9706/21/O/N/11

(b)	Prep	pare the following ledger accounts for the year ended 31 December 2010, showing closing entry to the final accounts at the end of the year.
	(i)	Provision for doubtful debts account
		[3]
	(ii)	Bad debts account
	/:::\	[5]
(	(iii)	Harvey account
		[3]

υιL	December 2010 showing the net amount of trade receivables.
	[2]
	Limited's directors are reviewing the existing policy for calculating the provision for btful debts.
The	y are considering applying a 4% rate to all debts as the basis for calculation.
REC	QUIRED
(i)	Calculate the effect of this change on the provision for doubtful debts.
	ro1
	[2]
(ii)	Explain how this change would affect the company's income statement and statement of financial position.

© UCLES 2011 9706/21/O/N/11

	(iii)	Explain why this change might be necessary.	For Examiner's
			Use
		[4]	
(e)		e <b>three</b> factors that the directors should consider when creating a provision for btful debts.	
	(i)		
	(ii)		
	(iii)		
		[3]	
		[Total 30]	

3 Tattersall Ltd manufactures a single product. They have two production and two service departments.

For Examiner's Use

The following information relates to a four-week period.

	<b>Production Departments</b>		<b>Service Departments</b>	
	Machining	Assembly	Maintenance	Canteen
Overheads	\$143 500	\$154 700	\$165 800	\$176 900
Direct machine hours	18 845	14 050	_	_
Direct labour hours	6 065	20 350	_	_

The service departments' overheads are apportioned to the production departments on the following basis:

	Machining	Assembly	Canteen
Maintenance	60%	30%	10%
Canteen	40%	60%	_

### **REQUIRED**

(a)	Prepare an overhead absorption apportionment table clearly showing the reapportionment of the service departments' overheads to the appropriate departments for one period.
	[8]

© UCLES 2011 9706/21/O/N/11

(D)	Calculate the overhead absorption rate for <b>each</b> production department.	For Examiner's
	State the bases used.	Use
	Show your answer to <b>two</b> decimal places.	
	[8]	
	manager of Tattersall Ltd calculates selling price per unit based on full cost plus a 25% k-up.  The costs per unit are:	
	Materials 3 metres at \$4 per metre Labour 7 hours at \$8 per hour	
	Each unit takes 3 hours in the machining department and 4 hours in the assembly department. All overheads are fixed.	
RE	QUIRED	
(c)	Calculate the full cost per unit.	
	[5]	

(d)	Calculate the selling price per unit.	For
		Examiner's Use
	[3]	
(e)	Calculate the number of units Tattersall Limited has to produce and sell in each period to break-even.	
	[4]	
(f)	State <b>two</b> limitations of break-even analysis.	
	(i)	
	(ii)	
	[2]	
	[Total 30]	

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

publisher will be pleased to make amends at the earliest possible opportunity.