



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education

	UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Advanced Subsidiary Level and Advanced Level
CANDIDATE NAME	Actualised Substitution Level and Actualised Level
CENTRE NUMBER	CANDIDATE NUMBER

9706/21 **ACCOUNTING**

Paper 2 Structured Questions

October/November 2013 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.

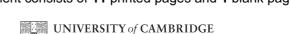
International accounting terms and formats should be used as appropriate.

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.



International Evaminations

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1 Booksellers Limited prepared the following trial balance for the year ended 31 December 2012:

	\$000	\$000
Gross profit for the year		415
Wages and salaries	127	
Rent	44	
Heating and lighting	15	
Motor expenses	50	
Office expenses	19	
Insurance	15	
Discount allowed	2	
Other expenses	53	
Inventory at 31 December 2012	37	
Trade receivables	45	
Provision for doubtful receivables		4
Bank	37	
Trade payables		15
Goodwill	44	
Motor vehicles at cost	176	
Shop fittings at cost	42	
Office fittings at cost	25	
Provision for depreciation on motor vehicles		46
Provision for depreciation on shop fittings		12
Provision for depreciation on office fittings		3
5% Debentures		20
Ordinary share capital		190
Retained earnings		<u>26</u>
-	731	<u>731</u>

Additional information:

- 1 Wages owing amounted to \$23 000 at 31 December 2012.
- 2 Debenture interest for the year had not been paid.
- 3 Bad debts of \$5000 were to be written off.
- 4 The provision for doubtful receivables was to be 5% of trade receivables.
- Depreciation was provided on motor vehicles at 12½% on cost and on shop fittings at 10% on net book value.
- 6 Office fittings had been revalued at \$19 000.
- 7 Rent paid in advance was \$8000.

REQUIRED

		42
		RED Prepare an income statement for the year ended 31 December 2012.
REC	QUIF	RED
(a)	(i)	Prepare an income statement for the year ended 31 December 2012.
		[12]
		[12]

	May May 1	
	4	
	(ii) Calculate the retained earnings of Booksellers Limited at 31 December 2012	1
		do
	[2]	
(b)	Prepare, in as much detail as possible, a statement of financial position at 31 December 2012.	

		5 MANNA RABBECAN
		[8]
c)	(i)	The directors wish to raise funds to expand the business. State two sources of finance they could use.
		[2]
	(ii)	State the advantages and disadvantages to the company of the two sources of finance you have chosen.
		[6]
		[Total: 30]

Ratio	Formula	What the ratio measures	Why the ratio may
Gross profit ratio		illeasures	Why the ratio may
nventory turnover			
Quick (acid test) atio			
eturn on capital mployed			
rade receivables urnover			

[20]

	The state of the s
	7
(b)	State and explain five limitations of using ratio analysis as an indicator of beneformance. 1
	1
	0
	2
	3
	4
	5
	[10]
	T - 4 - 1 - 003

[Total: 30]

3 Shostakovich Limited is a wholesale business selling three products: Preludes, Fuguesonatas.

At present they use the FIFO method of inventory valuation but are considering a change.

At 31 March 2013, Shostakovich Limited provisionally calculated its profit for the year at \$86 300 using closing inventory valued at \$10 200 under the FIFO method.

The following information is also available at 31 March 2013:

1 Different methods of inventory valuation for the three products provide the following closing inventory values:

	FIFO	AVCO
	\$	\$
Preludes	4600	4300
Fugues	3900	3750
Sonatas	1700	1500

Owing to a flood during the financial year it has been found that the total inventory of Sonatas has been damaged. It is estimated that the inventory could be sold by Shostakovich Limited at a selling price of \$1200. This adjustment has not been accounted for in the inventory calculated above.

REQUIRED

(a)	(i)	Calculate the revised inventory valuation at 31 March 2013 using FIFO and AVC	Э.
			[4]

(c)	Adv exp	rise Shostakovich Limited on why the distinction between capital and enditure is important when preparing financial statements.
		[6]
	•••••	[0]
	stak owinç	ovich Limited's statement of financial position at 31 March 2013 showed the g:
	_	\$
		perty 200 000 sumulated depreciation 14 000
		ue of the property is split equally between land and buildings. They had been owned ars. On 1 April 2013 its property was revalued at \$315000.
RE	QUIF	RED
(d)	(i)	Prepare the journal entry to record this revaluation. A narrative is not required.
		[3]
	(ii)	Name the section in Shostakovich Limited's financial statements where the surplus will appear.
		[1]

(iii) Shostakovich Limited will continue to use the same rate of straight depreciation for its buildings. Calculate the depreciation charge for the year buildings after the revaluation.	THE
ا ^{تا} [Total: 30]	

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