



Cambridge International Examinations

Cambridge International AS & A Level	Cambridge International Examinations Cambridge International Advanced Subsidiary and Advanced Level
CANDIDATE NAME	
CENTRE NUMBER	CANDIDATE NUMBER

9706/22 **ACCOUNTING**

Paper 2 Structured Questions

October/November 2014 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.

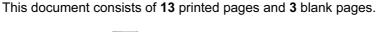
International accounting terms and formats should be used as appropriate.

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.





1 The following information relates to the business of Nother Limited.

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The following information rel	lates to the business	of Nother Limited		TO CAN
	Trial Balance a	at 31 March 2014		334
		Dr	Cr	8
		\$000	\$000	G. C.
Share capital			1500	ON.
Factory premises at cost		1000		
Factory machinery at cost		280		
Provisions for depreciation:	Premises		250	•
	Machinery		140	
Inventories at 1 April 2013:	Raw materials	360		
- -	Work in progress	210		
	Finished goods	432		
Revenue	-		5054	
Purchases of raw materials		1896		
Manufacturing wages		1250		
Factory expenses		780		
Administrative expenses		80		
Sales expenses		416		
Retained earnings			196	
Trade receivables and payal	bles	840	240	
Provision for doubtful debts			36	
Bank overdraft			144	
Bad debts written off		<u>16</u>		
		<u>7560</u>	<u>7560</u>	

Additional information

Inventories at 31 March 2014	\$
Raw materials	300 000
Work in progress	220 000
Finished goods	480 000
Other payables at 31 March 2014	
	\$
Factory expenses	112 000
Sales expenses	56 000
Manufacturing wages	40 000
Prepayments at 31 March 2014	
, ,	\$
Administrative expenses	8 000
	Raw materials Work in progress Finished goods Other payables at 31 March 2014 Factory expenses Sales expenses Manufacturing wages Prepayments at 31 March 2014

During the year ended 31 March 2014 a machine was sold for \$14 000. Th debited to the bank account and credited to the sales account.

www.PapaCambridge.com The machine had been purchased for \$44,000 and depreciation of \$24,000 had been with off up to 31 March 2013. A full year's depreciation is provided in the year of purchase to none in the year of sale.

Depreciation is to be provided as follows:

Factory premises 1% straight line

15% reducing (diminishing) balance. Factory machinery

The provision for doubtful debts is to be adjusted to 5% of trade receivables.

REQUIRED

(a)	Prepare Nother Limited's manufacturing account for the year ended 31 March 2014.
	[10]

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	4
(b)	Prepare Nother Limited's income statement for the year ended 31 March 2014.

(c)	Explain the following terms.	1
	Explain the following terms. Direct costs	Shio
		••••
		•••••
		[2]
	Indirect costs	
		••••
		••••
		[4]
	Prime cost	
		[2]
	Production cost	
		[2]

[Total: 30]

www.PapaCambridge.com 2 Bill and Charles are in partnership sharing profits and losses in the ratio of 2:1. Each partner draws \$2000 cash from the business each month. On 1 October 2013 Bill paid \$24 000 into the business bank account.

Capital accounts	1 January 2013 \$
Bill	120 000
Charles	60 000

They provided the following information.

Current accounts 1 January 2013 31 December 2013 17 000 Cr 2 160 Cr Bill Charles 18 000 Cr 2 800 Dr

REQUIRED

Calculate the partnership profit for the year ended 31 December 2013 before appropriation.	
Ţ!	5

Additional information

On 1 January 2014 a new partnership agreement came into force which stated that Charles will share profits and losses in the ratio of 3:2. Bill will receive \$6000 salary per annual Charles \$5200 salary per annum.

The rate of interest on capital is to be 8% per annum and interest on drawings is to be charged at 11% per annum.

Bill and Charles will continue to withdraw \$2000 each per month.

Goodwill was valued at \$48,000 but is not to be retained in the books of account.

The net profit for the 6 months ended 30 June 2014 was \$12000.

REQUIRED

(b)	Prepare the capital accounts of Bill and Charles for the six months ended 30 June 2014.
	[7]

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(c)	Prepare the partnership appropriation account for the six months ended 30 June

[7]

(d)	Pre	pare the current account of Bill for the 6 months ended 30 June 2014.	5
			30
	•••••		[7]
(e)	(i)	State two reasons why the partners are charged interest on drawings.	
		1	
		2	
			[2]
	(ii)	State two reasons why the partners receive interest on capital.	
		1	
		2	
			[2]

[Total: 30]

3 Aluko Limited manufactures three products for the automobile industry, BS100, BS300.

The business is divided into four departments – machining, assembly, stores and canteen.

The following information is available for one unit of the three products.

	BS100	BS200	BS300
Direct materials	\$12.60	\$14.10	\$18.80
Direct labour hours – machining (\$7.80 per hour)	30 minutes	50 minutes	55 minutes
Direct labour hours – assembly (\$6.30 per hour)	10 minutes	12 minutes	15 minutes
Machine hours – machining	20 minutes	30 minutes	30 minutes
Machine hours – assembly	5 minutes	5 minutes	10 minutes

The total estimated overhead costs for the year ended 30 June 2015 are as follows:

	\$
Indirect wages	232 000
Machinery maintenance	94 000
Machinery insurance	9020
Rent and rates	49600
Buildings insurance	12800
Machinery depreciation	26 600

The following information is also available.

	Machining	Assembly	Stores	Canteen
Number of indirect employees	8	16	4	2
Floor area (sq metres)	8 000	9 000	2000	1000
Value of machinery (\$000)	290	120		
Number of orders from stores	6300	1300		
Budgeted labour hours	7720	28 600		
Budgeted machine hours	46 400	3200		
Use of canteen	30%	55%	15%	

REQUIRED

			7	my	
REQUIRED	1	l1			Canteen
(a) Apportion the costs to the fo to production departments us			ortion the serv	vice departr	nent
	Total \$	Machining \$	Assembly \$	Stores \$	Canteen \$
Indirect wages					
Machinery maintenance					
Machinery insurance					
Rent and rates					
Buildings insurance					
Machinery depreciation					
Reapportionment of canteen					
Reapportionment of stores					
					[8]

(b) Calculate appropriate absorption rates for each production department correct to two decimal places.

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Additional information

The actual results for the year were as follows:

	Machining	Assembly
Factory overheads	\$239 110	\$192 860
Direct labour hours	8 420	28 150
Direct machine hours	49 120	3 050

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	"			
К				

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

Machining \$	Assembly \$
1	[4]

(d) Explain the reason for the over or under absorption of overheads calculated for each production department in part (c).

Additional information

Aluko Limited has been asked to prepare a quotation for a customer requiring 250 units of BS200. The company requires a 35% gross profit on **each** order.

REQUIRED

(e)	Calculate the quoted selling price.

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QUIRED	Call
Calculate the quoted selling price.	Dride
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(f)	Explain the	following	terms in	n relation	to	overheads.
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	ment	
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		[6]

[Total: 30]

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16

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