



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

CANDIDATE
 NAME

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CENTRE
 NUMBER

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ACCOUNTING

Paper 2 Structured Questions

9706/22

May/June 2012

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 Examiner's Use	
1	
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Total	

This document consists of **13** printed pages and **3** blank pages.



- 1 Bart, a sole trader, provided the following trial balance for the year ended 30 April 2012.

	\$	\$
Sales Revenue		799 000
Inventory at 1 May 2011 (at cost)		
Raw materials	20 000	
Work-in-progress	52 000	
Finished goods	78 000	
Purchase of raw materials	238 000	
Purchase returns		10 000
Manufacturing wages	265 000	
Indirect factory wages	46 000	
Factory buildings at cost	600 000	
Factory machinery at cost	260 000	
Office equipment at cost	148 000	
Provision for depreciation:		
Factory machinery		60 000
Office equipment		44 000
Insurance	14 000	
General factory expenses	6 000	
Factory supervision salaries	15 000	
Heat and light	6 000	
Administrative expenses	33 000	
Office salaries	55 000	
Trade receivables	40 000	
Provision for doubtful debts		2 000
Trade payables		32 000
Bank	3 000	
Capital		932 000
	<u>1 879 000</u>	<u>1 879 000</u>

Additional Information:

- Inventory at 30 April 2012 (at cost):

Raw materials	56 000
Work-in-progress	58 000
Finished goods	72 000
- Depreciation is provided on non-current assets at a rate of 20% per year using the reducing balance method.
- The following expenses should be apportioned as follows:

	Factory	Office
Insurance	70%	30%
Heat and light	80%	20%
- On 30 April 2012 indirect factory wages of \$5000 were unpaid and insurance of \$7000 had been paid in advance.
- Provision for doubtful debts is to be maintained at 3% of trade receivables.

(c) State **three** examples of how the prudence concept has been applied in the preparation of Bart's manufacturing account and income statement.

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[Total: 30]

- 2 The following statement of financial position of Mhairi, a sole trader, was drawn up at 30 April 2012.

Statement of Financial Position at 30 April 2012

	\$	\$	\$
Non-current assets			
Equipment			232 000
Fixtures and fittings			<u>160 000</u>
			392 000
Current assets			
Inventory	86 000		
Trade receivables	<u>16 000</u>	102 000	
Current liabilities			
Trade payables	38 000		
Bank	<u>14 000</u>	<u>52 000</u>	
Net current assets			<u>50 000</u>
			<u>442 000</u>
Financed by			
Capital			400 000
Add Profit for the year			<u>86 000</u>
			486 000
Less Drawings			<u>44 000</u>
			<u>442 000</u>

Additional information:

- On 1 May 2012 Mhairi admitted Aiden as a partner.
- The profit sharing ratio between Mhairi and Aiden was agreed at 3:2.
- Aiden agreed to pay a cheque to the partnership for \$200 000 and bring in vehicles valued at \$94 000 and inventory valued at \$26 000.
- It was agreed that goodwill be valued at 2 times the average net profit earned over the past 4 years. Goodwill is not to be retained in the books.

The following figures were available:

Year ended 30 April	Net sales income \$	Net profit percentage %
2009	200 000	6
2010	400 000	8
2011	500 000	8
2012	860 000	10

(d) Outline **four** advantages to Mhairi of forming a partnership with Aiden.

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[Total: 30]

- 3 Winston Ltd had estimated the following factory indirect costs for its financial year ended 30 April 2012.

	\$
Indirect wages	2 120 000
Repairs and maintenance of machinery	410 000
Rent and rates	53 000
Machinery insurance	24 000
Premises insurance	28 000
Electricity – power	48 000
Depreciation of machinery	14 000
Consumables	21 150

The company calculated a suitable overhead absorption rate for each of its two production departments using the following information.

	Production departments		Service departments	
	Machining	Assembly	Maintenance	Canteen
Machine cost (\$)	617 500	332 500	–	–
Direct machine hours	202 500	22 500	–	–
Direct labour hours	55 500	314 500	–	–
Floor area (square metres)	9 000	8 000	2 000	1 000
Power usage (%)	55	35	5	5
Number of employees	70	104	16	10
Consumables (\$)	9 550	9 800	550	1 250

The proportion of work done by each service department was:

	Machining	Assembly	Maintenance
Canteen (%)	35	60	5
Maintenance (%)	80	20	–

The actual results for the year ended 30 April 2012 were as follows:

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	Machining	Assembly
Factory indirect costs (\$)	1 410 000	1 312 000
Direct machine hours	195 000	21 000
Direct labour hours	57 000	318 000

REQUIRED

- (c) Calculate the amount of overhead which would be over or under-absorbed by each production department.

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- (d) Explain how the results in (c) could have occurred.

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