

Cambridge
International
AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
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ACCOUNTING

9706/23

Paper 2 Structured Questions

May/June 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.

This document consists of **16** printed pages.

- 1 The treasurer of the Ocean Fishing Club has prepared the following receipts and payments account for the year ended 31 March 2014.

| Receipts | | Payments | |
|---------------------------------|---------------|-----------------------------|---------------|
| | \$ | | \$ |
| Balance at 1 April 2013 | 6 570 | Payments to trade payables | 2 974 |
| Subscriptions received | 7 400 | Shop wages | 3 670 |
| Donations | 1 450 | Administration expenses | 2 790 |
| Receipts from annual family day | 2 300 | New equipment | 5 600 |
| Shop takings | 7 690 | Repairs to equipment | 2 500 |
| | | Transfer to deposit account | 7 000 |
| | | Balance c/d | <u>876</u> |
| | <u>25 410</u> | | <u>25 410</u> |

| | 1 April 2013 | 31 March 2014 |
|---------------------------------|--------------|---------------|
| | \$ | \$ |
| Shop inventory | 975 | 859 |
| Trade payables for shop | 560 | 784 |
| Deposit account | 6 000 | 13 000 |
| Equipment at cost | 9 800 | ? |
| Provision for depreciation | 2 940 | ? |
| Repairs to equipment owing | 420 | 370 |
| Shop wages due | 250 | 195 |
| Shop fittings at net book value | 750 | 640 |

Additional information

- The donations are to be capitalised.
- There are 350 members who pay an annual subscription of \$20.

At 1 April 2013, 30 members had paid in advance for the coming year but 24 members had not yet paid for the year ended 31 March 2013.

At 31 March 2014, 10 members had yet to pay and some members had paid in advance but the treasurer has not yet calculated how many.

- Interest of 5% per annum is credited to the deposit account by the bank on 31 March each year. This has not yet been entered in the books.

The transfer of \$7000 to the deposit account was made on the 31 March 2014.

- Equipment is depreciated at 15% per annum using the reducing (diminishing) balance method. A full year's depreciation is charged in the year of purchase.

Additional information

The club wishes to buy a new boat for use by members. It will cost \$12 500.

REQUIRED

(d) Suggest **three** ways the club could raise the finance to purchase the new boat.

1

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2

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3

..... [3]

(e) State **one** advantage and **one** disadvantage of each method you have suggested.

1 Advantage

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Disadvantage

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2 Advantage

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Disadvantage

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3 Advantage

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Disadvantage

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[6]

[Total: 30]

Additional information

During the year ended 31 May 2014:

- 1 Helen bought new machinery costing \$720 000 and sold old machinery which had cost \$160 000. The old machinery had been bought on 1 December 2011.
- 2 Helen bought a new motor vehicle. She traded in an old vehicle valued at \$40 000 and paid the balance of \$160 000, by cheque.

The trade in vehicle had cost \$100 000 and had a net book value of \$60 000 at the date of disposal.

- 3 A new building costing \$1 000 000 was completed during the year.

REQUIRED

(e) Complete the non-current asset schedule below for the year ended 31 May 2014.

| | Buildings | Machinery | Motor vehicles | Total |
|---------------------------|-----------|-----------|----------------|-------|
| | \$000 | \$000 | \$000 | \$000 |
| COST | | | | |
| Balance at 31 May 2013 | 2000 | 2000 | 700 | 4700 |
| Additions | | | | |
| Disposals | | | | |
| Balance at 31 May 2014 | | | | |
| DEPRECIATION | | | | |
| Balance at 31 May 2013 | 120 | 800 | 300 | 1220 |
| Charge for the year | | | | |
| Disposals | | | | |
| Balance at 31 May 2014 | | | | |
| NBV at 31 May 2014 | | | | |
| NBV at 31 May 2013 | 1880 | 1200 | 400 | 3480 |

[16]

[Total: 30]

Question 3 is on the next page.

- 3 Chester Limited manufactures clothing. The work takes place in three production departments – cutting, sewing and finishing. In addition, the business has two service departments – stores and maintenance.

The budgeted overheads for the year ending 31 March 2014 were as follows:

| | \$ |
|----------------------|---------|
| Indirect wages | 185 400 |
| Rent and rates | 38 500 |
| Power | 32 600 |
| Light and heat | 18 800 |
| Machine depreciation | 73 700 |
| Buildings insurance | 18 200 |

The following information is available.

| | Cutting | Sewing | Finishing | Stores | Maintenance |
|----------------------------------|---------|--------|-----------|--------|-------------|
| Number of indirect employees | 3 | 5 | 3 | 4 | 5 |
| Floor space (square metres) | 5 000 | 6 000 | 3 000 | 3 000 | 4 000 |
| Net book value of machinery (\$) | 86 000 | 64 000 | 12 000 | - | 5 000 |
| Machine hours | 40 000 | 50 000 | 4 000 | - | - |
| Direct labour hours | 84 000 | 22 000 | 56 000 | - | - |
| Raw material issues | 75% | 17.5% | 2.5% | - | 5% |

Chester Limited uses a single overhead rate to absorb all overheads on a direct labour hour basis.

REQUIRED

- (a) State **one** advantage and **one** disadvantage to Chester Limited of using a single overhead absorption rate.

Advantage

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Disadvantage

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..... [4]

- (b) Calculate, correct to **two** decimal places, the overhead absorption rate for the year ending 31 March 2014.

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..... [1]

Additional information

The directors of Chester Limited are considering changing the basis for recovering overheads to calculate a separate overhead absorption rate for each production department.

REQUIRED

- (c) Apportion the costs to the five departments and re-apportion the service departments' costs to production departments using a suitable basis.

| | Total \$ | Cutting \$ | Sewing \$ | Finishing \$ | Stores \$ | Maintenance \$ |
|-------------------------|-------------|---------------|--------------|-----------------|--------------|-------------------|
| Indirect wages | | | | | | |
| Rent and rates | | | | | | |
| Power | | | | | | |
| Light and heat | | | | | | |
| Machine depreciation | | | | | | |
| Buildings insurance | | | | | | |
| | | | | | | |
| Reapportion stores | | | | | | |
| | | | | | | |
| Reapportion maintenance | | | | | | |
| | | | | | | |

[10]

(d) Calculate, correct to **two** decimal places, appropriate overhead absorption rates for **each** production department.

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..... [6]

Additional information

The actual results for the year were as follows:

| | Cutting | Sewing | Finishing |
|----------------------|-----------|-----------|-----------|
| Factory overheads | \$168 180 | \$146 320 | \$51 870 |
| Direct labour hours | 85 200 | 20 950 | 58 140 |
| Direct machine hours | 42 330 | 52 450 | 4 280 |

REQUIRED

(e) Calculate the under- or over-absorption of overheads for **each** production department.

| | Cutting \$ | Sewing \$ | Finishing \$ |
|--|---------------|--------------|-----------------|
| | | | |
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[6]

(f) Manufacturing businesses classify costs by function. State **three** functional groups of costs.

- 1
- 2
- 3 [3]

[Total: 30]

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