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Centre Number	Candidate Number	Name

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

ACCOUNTING **9706/02**

Paper 2 Structured Questions (Core)

October/November 2003

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 in the spaces provided on the Question Paper.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
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.
You may use a calculator.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

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Total	

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1 The Gala Golf Club's accounts included the following balances.

at 31 December	2001	2002
	$	$
Fixed assets (net book value)	85 600	119 680
Amounts owed by the Club		
Wages – maintenance staff	2 060	2 500
– café	760	840
Electricity	220	260
Rent	1 440	1 640
Creditors – maintenance	3 040	4 200
– café	760	700
Stock – café	420	370
Subscriptions due and unpaid	31 800	33 200

20% of the cost of electricity and rent is charged to the café.

The Receipts and Payments Account for the year ended 31 December 2002 was as follows.

	$		$
Balance b/d	32 400	Wages – maintenance	102 800
Café takings	110 800	Wages – café	42 400
Subscriptions	313 600	Equipment	66 000
Sale of grasscutter	2 000	Fixtures	26 000
		Maintenance	94 200
		Electricity	19 000
		Rent	65 600
		Purchases for café	38 600
		Balance c/d	4 200
	458 800		458 800

The grasscutter had been bought in 1999 for $4 000. Depreciation is calculated at 20% per annum on a straight line basis and is applied in the year of purchase but not in the year of sale. Show **all** workings.

REQUIRED

(a) Calculate the Accumulated Fund at 1 January 2002.

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(b) Prepare the Café Trading Account for the year ended 31 December 2002.

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(c) Prepare the Club Income and Expenditure Account for the year ended 31 December 2002.

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(d) Prepare the Club Balance Sheet as at 31 December 2002.

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(e) **(i)** State **two** accounting methods of treating donations received by the Club.

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(ii) Distinguish between a Receipts and Payments Account and an Income and Expenditure Account.

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2 Dougal and Florence, who have been in partnership for many years, decided to retire and dissolve the partnership on 30 September 2003. Profits and Losses were shared in the ratio of the partners' Capital account balances, which were fixed at Dougal $80 000 and Florence $40 000. The partnership Balance Sheet at 30 September 2003 was as follows.

		$	$	$
Fixed assets (net book values)				
Buildings		104 000		
Fixtures and fittings		35 000		
Motor vehicles		26 000		165 000
Current assets				
Stock		10 500		
Debtors		17 230		
Bank		950	28 680	
Current liabilities				
Creditors			9 230	19 450
				184 450
Capital accounts	Dougal	80 000		
	Florence	40 000		120 000
Current accounts	Dougal	14 430		
	Florence	(2 580)		11 850
Loan from Dougal				52 600
				184 450

The partnership ceased trading on 30 September 2003 and the assets were realised as follows.

	$
Buildings	100 000
Fixtures and fittings	37 000
One motor vehicle	15 000
The remaining motor vehicle was taken by Dougal at an agreed valuation of	9 500
Stocks	5 200

All debts were collected and banked except for bad debts totalling $900.
Discounts allowed amounted to $200.
Creditors were paid in full.
Dissolution expenses of $1200 were paid by cheque.
Dougal's loan was repaid from the bank account.
Partners' Current account balances were transferred to their Capital accounts.

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REQUIRED

Prepare the following accounts for the month of October 2003.

(a) Dissolution (Realisation) account.

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(b) Partners' Current accounts, in columnar form.

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(c) Partners' Capital accounts, in columnar form

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(d) The partnership Bank account.

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(e) Discuss **three** problems which may arise in a partnership but would **not** occur in a limited company.

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3 Darnick Holdalls Ltd manufacture three types of high quality hand-made cases, Small, Medium and Large. These are manufactured in two departments, the cutting department and the stitching department. There are also two service departments, maintenance and canteen. The estimated data for the year ending 31 December 2004 is as follows.

	Small	Medium	Large
Estimated production (units)	10 000	9 000	4 400
Machine hours required per unit	3	4	5
	$	$	$
Unit selling price	125	140	155
Unit prime costs			
Direct materials	30	35	40
Direct labour – cutting department	17	18	20
Direct labour – stitching department	5	6	7

Estimated overheads for the year ending 31 December 2004

	Cutting	Stitching	Mainten-ance	Canteen	Total
Space costs					$90 000
Depreciation of Equipment					$200 000
Allocated overheads	$44 200	$47 600	$15 000	$18 000	$124 800
					$414 800
Additional information					
Floor area (sq metres)	5 000	6 000	2 000	2 000	
Number of employees	12	9	4	5	
Cost of equipment	$700 000	$850 000	$250 000	$200 000	

REQUIRED

(a) Use the grid below to prepare an overhead analysis sheet for the year ending 31 December 2004 detailing overheads for the cutting and stitching departments. Canteen costs are shared among all the other departments on the basis of number of employees. Maintenance costs are shared between the production departments on the basis of 70% to stitching and 30% to cutting.

Overheads	Cutting $	Stitching $	Maintenance $	Canteen $

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(b) Calculate the overhead recovery rate for

(i) the cutting department, based on direct wages;

(ii) the stitching department, based on machine hours.

Show all workings.

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(c) Give reasons for the two different methods used in **(b)**.

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(d) Calculate the total unit cost of **one** Medium case.

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