



# Cambridge International AS & A Level

CANDIDATE  
NAME

--

CENTRE  
NUMBER

--	--	--	--	--

CANDIDATE  
NUMBER

--	--	--	--



## ACCOUNTING

9706/22

Paper 2 Structured Questions

October/November 2020

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

## INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any rough working.
- You may use a calculator.
- You should present all accounting statements in good style.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

## INFORMATION

- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **16** pages. Blank pages are indicated.

- 1 Anjali is a sole trader. She does not maintain a full set of accounting records.

At 1 October 2019 the assets and liabilities of Anjali were as follows:

Cash at bank	4 600 debit
Inventory	14 500
Non-current assets (carrying value)	85 000
Trade payables	9 930
Trade receivables	12 850

During the year ended 30 September 2020 the following transactions were recorded.

General expenses paid	11 480
Payments to trade payables	50 250
Receipts from trade receivables	73 850
Rental income received	9 000
Returns inwards	2 070
Returns outwards	1 290

Anjali made drawings of \$600 per month throughout the year.  
All receipts and payments were processed through the bank account.  
Irrecoverable debts of \$2300 were written off.

At 30 September 2020 the assets and liabilities were as follows:

Inventory	18 000
Non-current assets (carrying value)	72 250
Prepaid general expenses	600
Trade payables	11 470
Trade receivables	14 980

### REQUIRED

- (a) Calculate the bank balance at 30 September 2020.

.....

.....

.....

.....

.....

.....

..... [3]



Workings:

[17]

(c) Calculate the following, to **two** decimal places, for the year ended 30 September 2020.

(i) Gross margin

.....  
..... [1]

(ii) Mark-up

.....  
..... [1]

(iii) Profit margin

.....  
..... [1]

(d) (i) Explain how a business may increase its gross margin.

.....  
.....  
.....  
..... [2]

(ii) Explain how a business may improve its profit margin.

.....  
.....  
.....  
..... [2]

(e) State **one** reason why each of the following may be interested in the financial statements of a business.

1 Employees .....

2 Suppliers .....

3 Government .....

[3]

[Total: 30]

- 2 Khalid runs a business. His non-current assets with a total value of \$200 000 consist of a motor vehicle and a machine with a life expectancy of 5 years. He anticipates that the machine will make products at a steady rate during that period.

**REQUIRED**

- (a) State **three** methods of depreciation which may be used by a business.

1 .....

2 .....

3 ..... [3]

- (b) Advise Khalid which method of depreciation he should use for **each** asset. Justify your advice.

Motor vehicle .....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

- (c) State which accounting concept Khalid did **not** apply in each of the following scenarios.

Scenario	Concept
Khalid used the business bank account to pay for a deposit for a family holiday. This was treated as a business expense.	
A stapler for \$10 paid by Khalid out of the business bank account was added to the business office equipment account balance.	
Khalid became aware that a customer owing \$1500 was bankrupt. He took no action when preparing the financial statements.	

[3]

(d) State the purpose of financial statements.

.....

.....

.....

.....

.....

.....

..... [3]

[Total: 15]

- 3 Roberto and Sangeeta have been in partnership for many years sharing profits and losses in the ratio 3:2. They decided to dissolve the partnership on 31 August 2020.

Their summarised statement of financial position at that date was as follows:

	\$
<b>Assets</b>	
Non-current assets	<u>160 000</u>
Current assets	
Inventory	45 000
Trade receivables	<u>15 000</u>
	<u>60 000</u>
Total assets	<u>220 000</u>
<b>Capital and liabilities</b>	
Capital accounts	
Roberto	110 000
Sangeeta	<u>60 000</u>
	<u>170 000</u>
Current accounts	
Roberto	25 000
Sangeeta	<u>(10 000)</u>
	<u>15 000</u>
Total capital and current accounts	185 000
Current liabilities	
Trade payables	30 000
Bank overdraft	<u>5 000</u>
	<u>35 000</u>
Total capital and liabilities	<u>220 000</u>

The following information is also available.

- 1 Non-current assets were sold for \$175 000.
- 2 Inventory was sold for \$42 000.
- 3 Trade receivables were settled after allowing a 20% discount.
- 4 Trade payables were settled after taking a 10% discount.
- 5 Dissolution expenses of \$4 000 were paid by cheque.





(c) Prepare the bank account on dissolution of the partnership.

Bank account

	\$		\$

[5]

[Total: 15]

- 4 Kevin runs a small manufacturing business. He is considering which method of inventory valuation he should use.

**REQUIRED**

- (a) State **two** advantages to a business of using **each** of the following methods of inventory valuation.

(i) First in first out (FIFO)

1 .....

.....

2 .....

.....

(ii) Last in first out (LIFO)

1 .....

.....

2 .....

.....

(iii) Average cost (AVCO)

1 .....

.....

2 .....

.....

[6]

**Additional information**

Kevin manufactures a single product and he intends to value his closing inventory at selling price which includes a mark-up on cost.

**REQUIRED**

(b) Explain why Kevin should not value his inventory at this price.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [3]

**Additional information**

Kevin currently uses marginal costing but is considering changing to absorption costing.

The following budgeted information per unit is available.

	\$
Selling price	20
Direct material	6
Direct labour	3

Budgeted production	20 000 units per month
Budgeted fixed overheads	\$100 000 per month.

At 1 January there was no inventory held.

The following actual results are available for January and February.

	January	February
Sales (units)	15 000	21 000
Production (units)	18 000	18 000
Fixed overheads	\$100 000	\$100 000







**BLANK PAGE**

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at [www.cambridgeinternational.org](http://www.cambridgeinternational.org) after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.