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

CANDIDATE NAME

CENTRE NUMBER | | | | | |

CANDIDATE NUMBER | | | | |

0104807180

ACCOUNTING **9706/21**

Paper 2 Structured Questions **October/November 2009**

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.
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	
2	
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Total	

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

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1 Rahul and Shivam are in partnership. The partnership agreement provides that:

1 Rahul contributes two-thirds and Shivam one-third of the capital which is fixed.

2 Profits and losses are to be shared in the ratio of capital contributed.

3 Partners are to be credited with interest on capital at 10% per annum.

4 Partnership salaries are to be credited to Rahul, $25 000, and Shivam, $30 000.

5 There will be no interest charged on drawings.

All transactions are made through the bank.

The following is a summary of the partnership bank account for the year ended 31 March 2009.

	$	$
Bank balance at 1 April 2008		5 000
Cheques received from debtors		805 000
		810 000
Cheques paid to creditors	600 000	
Electricity	25 000	
Rent and rates	34 000	
Insurance	14 500	
General expenses	14 000	
New vehicles	60 000	
Drawings Rahul	25 000	
Shivam	30 000	802 500
Bank balance at 31 March 2009		7 500

On 1 April 2008 the partnership current account balances were:

Rahul	$15 500 Cr
Shivam	$500 Dr

The following information is also available:

	1 April 2008	31 March 2009
	$	$
Stock	45 000	48 000
Trade debtors	52 000	63 000
Prepaid rent and rates	3 000	2 000
Vehicles at net book value	40 000	80 000
Fixtures and fittings at net book value	30 000	28 000
Electricity owing	5 000	6 000
Trade creditors	35 000	41 000

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REQUIRED

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(a) Calculate the fixed capital account balance for **each** partner.

[4]

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REQUIRED

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(b) Prepare the trading, profit and loss and appropriation accounts for the year ended 31 March 2009.

[20]

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REQUIRED

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(c) Prepare Rahul's current account for the year ended 31 March 2009.

[6]

[Total: 30]

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2 The following is the receipts and payments account of the Rumbledethumps Bowling Club for the year ended 30 September 2009.

Receipts	$	Payments	$
Opening balances		Greenkeeper's wages	25 000
Cash	850	Insurance	3 450
Bank current account	12 150	Furniture for clubhouse	2 150
Bank deposit account	84 500	Secretary's honorarium	2 000
Subscriptions		General expenses	8 950
Ordinary	31 200	Clubhouse repairs	3 540
Life	10 000	Band for dinner dance	500
Café takings	94 320	Other dance expenses	4 730
Dinner dance	6 000	Café refreshments	43 500
		Café wages	23 500
		Clubhouse rates	4 500
		Closing balances	
		Cash	530
		Bank current account	10 980
		Bank deposit account	105 690
	239 020		239 020

The following information is also available:

Other assets and liabilities of the club at 30 September

	2008 $	2009 $
Clubhouse	120 000	120 000
Café refreshment stock	9 500	10 500
Creditors for café refreshments	6 700	7 900
Insurance prepaid	430	550
Rates accrued	900	950
Furniture and fittings	26 200	25 400
Subscriptions prepaid	2 200	2 400
Subscriptions due and unpaid	2 800	2 600

Life membership was introduced on 1 October 2008 when five life members were admitted and paid $2000 each. It was decided that life membership should be accounted for separately and credited to ordinary revenue over twenty years, in equal amounts.

Interest on the bank deposit account of $4500 for the year ended 30 September 2009 had not been taken into account at the year end.

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REQUIRED

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(a) Prepare the café trading account for the year ended 30 September 2009.

[4]

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(b) Prepare the club income and expenditure account for the year ended 30 September 2009.

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[10]

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(c) Prepare the club balance sheet at 30 September 2009.

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[12]

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(d) State **two** advantages and **two** disadvantages of using a receipts and payments account instead of an income and expenditure account, in a non-trading organisation.

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Question 3 is on the next page.

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3 Singh Ltd manufactures three products - Athol, Brose and Crowdie – selling at $3, $7 and $4 respectively. The manufacturing process is the same for all products but each requires a different quality of raw material.

Expected trading results for the six months ending 31 May 2010 are as follows:

	Athol $	Brose $	Crowdie $	Total $
Sales	120 000	91 000	88 000	299 000
Variable costs				
Direct materials	48 000	52 000	27 500	127 500
Direct labour (paid at $4 per hour)	20 000	13 000	22 000	55 000
Variable overheads	40 000	39 000	11 000	90 000
	108 000	104 000	60 500	272 500
Fixed costs				20 000
				292 500
Estimated profit				6 500

REQUIRED

(a) Calculate the estimated number of direct labour hours needed to manufacture **each** product, and in total.

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(b) Calculate the estimated contribution **per direct labour hour** for products Athol and Crowdie.

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(c) Calculate the number of units of **each** of the **three** products produced per direct labour hour.

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[9]

Management has decided to cease production of Brose with effect from 1 June 2010.

REQUIRED

(d) State why management has decided to take this action.

[1]

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The demand for the remaining products is expected to be:

Athol 60 000 units;
Crowdie 32 000 units.

Management has undertaken to continue production as follows:

(i) switch the labour force from Brose to Athol and Crowdie: additional labour may also be required;

(ii) the rate per hour for direct labour will be increased to $4.10 per hour;

(iii) selling prices per unit of Athol and Crowdie will be unchanged;

(iv) direct material costs per unit will be unchanged;

(v) the ratio of variable overheads to selling price for each product will be unchanged;

(vi) fixed costs will increase by 10 %.

REQUIRED

(e) Use the information above to prepare an estimated profit statement for the six months ending 30 November 2010. **Follow the layout used at the beginning of the question**.

[14]

[Total: 30]

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