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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			

0858861458

ACCOUNTING **9706/22**

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	
3	
Total	

This document consists of **14** printed pages and **2** blank pages.

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1 The following is a summary of Harry's balance sheet at 30 April 2008.

	$000	$000
Assets		
Fixed assets		
Furniture and equipment at net book value		208
Current assets		
Stock	1500	
Debtors	610	
Cash	6	2116
Total assets		2324
Equity and liabilities		
Equity		
Owner's capital		1096
Current liabilities		
Creditors for supplies	920	
Creditors for expenses	98	
Bank overdraft	210	1228
		2324

The following information is available for the year ended 30 April 2009:

		$000
1	Amount paid into bank (This included $50 000 from the sale of furniture and equipment which had a net book value of $48 000.)	2950
2	Cash from Harry's sales was used to pay for the following:	
	Expenses	152
	Drawings	70
3	Amounts paid from the bank:	
	Purchases	1750
	Interest on overdraft	30
	Expenses	810
4	Balances at 30 April 2009:	
	Creditors for supplies	510
	Creditors for expenses	90
	Debtors	400
	Stock	720
	Cash	5
5	During the year, Harry brought into the business a motor vehicle.	12

6 A provision for doubtful debts of 4% of debtors is to be made.

7 Depreciation on all fixed assets was to be provided for at 25% using the reducing (diminishing) balance method. Full depreciation would be provided for in the year in which an asset was introduced but none would be applied in the year of disposal.

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REQUIRED

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(a) Explain, **briefly**, the difference between a liability and a provision.

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(b) Calculate, showing **all** workings, the total sales for the year ended 30 April 2009.

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(c) Calculate, showing **all** workings, Harry's bank balance at 30 April 2009.

For Examiner's Use

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(d) Prepare Harry's trading and profit and loss account for the year ended 30 April 2009.

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[12]

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(e) Prepare Harry's balance sheet at 30 April 2009. Use a layout similar to the balance sheet at the beginning of the question.

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[8]

[Total: 30]

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Question 2 is on the following page.

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2 Alex's fixed asset accounts and provision for depreciation on fixed asset accounts for the year ended 30 April 2008 were as follows:

Furniture and equipment account

		$000			$000
2007			2007		
1 May	Balance b/d	2 700	5 July	Disposal	450
3 June	Bank	720	2008		
			30 April	Balance c/d	2 970
		3 420			3 420
2008					
1 May	Balance b/d	2 970			

Provision for depreciation on furniture and equipment account

		$000			$000
2007			2007		
5 July	Disposal	345	1 May	Balance b/d	945
2008			2008		
30 April	Balance c/d	897	30 April	Profit & loss	297
		1 242			1 242
			1 May	Balance b/d	897

Motor vehicles account

		$000			$000
2007			2007		
1 May	Balance b/d	1 560	3 Oct	Disposal	330
3 Oct	Bank	570	2008		
			30 April	Balance c/d	1 800
		2 130			2 130
2008					
1 May	Balance b/d	1 800			

Provision for depreciation on motor vehicles account

		$000			$000
2007			2007		
3 Oct	Disposal	285	1 May	Balance b/d	675
2008			2008		
30 April	Balance c/d	840	30 April	Profit & loss	450
		1 125			1 125
			1 May	Balance b/d	840

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ALTERNATIVE PRESENTATION USING RUNNING BALANCE

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Furniture and equipment account

		Dr	Cr	Balance
2007		$000	$000	$000
1 May	Balance b/d			2 700 Dr
3 June	Bank	720		3 420
5 July	Disposal		450	2 970

Provision for depreciation on furniture and equipment account

		Dr	Cr	Balance
2007		$000	$000	$000
1 May	Balance b/d			945 Cr
5 July	Disposal	345		600
2008				
30 April	Profit and loss		297	897

Motor vehicles account

		Dr	Cr	Balance
2007		$000	$000	$000
1 May	Balance b/d			1 560 Dr
3 Oct	Disposal		330	1 230
	Bank	570		1 800

Provision for depreciation on motor vehicles account

		Dr	Cr	Balance
2007		$000	$000	$000
1 May	Balance b/d			675 Cr
3 Oct	Disposal	285		390
2008				
30 Apr	Profit and loss		450	840

During the year ended 30 April 2009 the following transactions took place:

1 On 1 June 2008 new equipment was purchased for $540 000.
On 3 December 2008 new furniture was purchased for $80 000.
On 3 September 2008 equipment which had been purchased on 31 March 2006 for $300 000 was sold for $132 000.

2 On 1 February 2009 three new motor vehicles were purchased for $80 000 each. On the same date a vehicle which had cost $56 000 on 15 May 2005 was sold for $20 000.

A full year's depreciation is provided for on all fixed assets in use at the end of the financial year but none is provided for in the year of disposal of a fixed asset.

The rates of depreciation applied on cost for the year ended 30 April 2008 continue to be applied for the year ended 30 April 2009.

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REQUIRED

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(a) Prepare the following accounts for the year ended 30 April 2009:

(i) Furniture and equipment

[5]

(ii) Motor vehicles

[4]

(iii) Provision for depreciation on furniture and equipment

[4]

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(iv) Provision for depreciation on motor vehicles

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(v) Disposal of furniture and equipment

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(vi) Disposal of motor vehicles.

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(b) Explain the term 'depreciation' and give **one** example.

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[Total: 30]

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Question 3 is on the following page.

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3 Cariokae Ltd is a specialist manufacturer of steel rods for use in the construction industry. The company has three different machines each of which is capable of producing the rods. When a company receives a new order it has to decide which of the three machines to use.

Data regarding the machines is as follows:

MACHINE	A	B	C
Set-up costs per order	$200	$330	$600
Number of rods produced per machine-hour	100	150	200
Number of machine operators	4	5	6

Variable factory overhead for each machine is $12 per direct labour hour.
Direct material needed to produce 100 rods is $300, whichever machine is selected.
Machine operators are paid $10.50 per hour.

REQUIRED

(a) Order P235 has been received for 3000 rods.

(i) Calculate the costs of producing order P235 on **each** machine.

	MACHINE		
DATA FOR ORDER P235	A	B	C
Order quantity			
Production rates per hour			
Operating hours			
Number of operators			
Direct labour hours worked			
COSTS FOR P235	$	$	$
Direct materials			
Direct labour			
Variable overheads			
Set up costs			
Total costs			

[13]

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(ii) Advise the production manager which machine to use for order P235 to minimise costs.

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It has been suggested that by adding **one** additional operator to **each** machine,

1 there would be an efficiency saving of 10% on direct materials and

2 the rate of production would increase by 20%.

REQUIRED

(b) Assuming that the additional operator is employed on **each** machine, re-calculate your answer for order P235.

Data for order P235	MACHINE		
	A	B	C
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[12]

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(c) (i) State how your advice to the production manager should differ if the additional operator is employed.

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(ii) State whether the additional operator should be retained for each machine.

Explain your reasoning.

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[Total: 30]

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