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Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

5177343641

ACCOUNTING **9706/22**

Paper 2 Structured Questions **October/November 2015**

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 **14** printed pages and **2** blank pages.

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1 The treasurer of the Winners Athletic Club has provided the following information for the year ended 30 June 2015.

Receipts and Payment Account

	$		$
Subscriptions received	8 690	Balance at 1 July 2014	3 690
Receipts from shop sales	6 670	Purchases for shop	2 590
Sales of tickets for events	3 720	Wages for shop	2 780
Sales of old equipment	1 200	Costs of events	2 120
		New equipment	3 600
		Entry fees	2 160
		Secretary's expenses	1 370
		Balance at 30 June 2015	1 970
	20 280		20 280

Additional information

	1 July 2014	30 June 2015
	$	$
Life membership fund	2500	?
Shop inventory	640	530
Equipment at net book value	6700	?
Trade payables for shop	376	429
Trade receivables for shop	540	690
Subscriptions in advance	675	895
Subscriptions in arrears	485	345
Events tickets in advance	-	275
Entry fees in arrears	-	140

1 The treasurer has found out that $60 of the trade receivables will not be received.

2 Bank charges of $126 have not been entered in the books.

3 The subscriptions include seven life memberships of $300 each. The life membership fund is to be transferred to income and expenditure over a 10-year period.

4 Depreciation is charged at 20% on the net book value of assets held at the year end. The equipment sold had cost $3000 and had been depreciated by $1540 at the date of sale.

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REQUIRED

(a) Prepare an income statement for the shop for the year ended 30 June 2015.

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..... [7]

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(b) Prepare the income and expenditure account for the year ended 30 June 2015.

[11]

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(c) Prepare the statement of financial position at 30 June 2015.

[8]

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(d) Explain why no amounts have been entered in the financial statements in respect of the many hours worked during the year by volunteers.

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(e) Explain why the amounts prepaid and accrued are included in the financial statements of the club.

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[Total: 30]

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2 The following is the statement of financial position of Francis Flintoff at 31 December 2014.

	$	$
Non-current assets		
Premises at valuation		254 000
Office equipment at book value		74 500
Motor vehicles at book value		40 500
		369 000
Current assets		
Inventory	65 600	
Trade receivables	14 800	
Cash and cash equivalents	14 200	94 600
Total assets		463 600
Capital and liabilities		
Capital at 1 January 2014		348 200
Profit for the year		53 400
		401 600
Non-current liability		
6% Loan repayable 2021		24 000
Current liabilities		
Trade payables		38 000
Total capital and liabilities		463 600

Additional information

After preparation of this statement the following were discovered.

1 Goods which were included in the inventory at their cost price of $1900 had been damaged and could be sold for only $360.

2 Interest at 6% had not been paid on the loan. No entry had been made for this.

3 Insurance costing $12 000 for the year ended 30 September 2015 had not been paid and had been completely omitted from the accounts.

4 Depreciation for the year ended 31 December 2014 had been charged correctly. The book-keeper had also entered a charge for motor vehicles for the year ended 31 December 2015 in error.

Depreciation is charged on motor vehicles at 10% on a reducing balance basis.

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REQUIRED

(a) Complete the following table to show the correct profit for the year ended 31 December 2014.

	Add ($)	Deduct ($)	Total ($)
Original profit for the year			

[10]

Question 2(b) is on the next page.

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(b) Prepare the corrected statement of financial position at 31 December 2014.

[10]

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(c) Name **five** external users of accounting information and state their interest in the information.

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[Total: 30]

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3 A division of Hobbs Limited manufactures one product, the Wye. The directors had prepared the following forecast for the year ending 30 June 2016.

	$000
Sales revenue	4400
Direct materials	1400
Direct labour	1000
Variable administration costs	400
Fixed administration costs	300
Other fixed overheads	1200

Budgeted sales for the year ending 30 June 2016 are expected to be 40 000 units.

REQUIRED

(a) Calculate for product Wye:

(i) the contribution per unit

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..... [2]

(ii) the budgeted break-even point in units

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..... [2]

(iii) the margin of safety in units

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Additional information

The directors have been warned that trading conditions are likely to change in the coming year and they plan to make the following changes to their forecasts.

1 Reduce the selling price of the product by 10%.

2 Budget for a 20% increase in sales.

3 Budget for a 3% increase in direct labour.

4 Budget for a 10% decrease in fixed costs.

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REQUIRED

(b) Calculate for product Wye:

(i) the revised contribution per unit

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..... [4]

(ii) the revised break-even point in units

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..... [2]

(iii) the revised margin of safety in units

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Additional information

Another division of Hobbs Limited also manufactures one product, the Exe.

The following data is available for the year ending 30 June 2016.

Unit selling price	$20
Unit variable costs	$15
Budgeted fixed costs per annum	$30 000
Budgeted sales	8000 units

REQUIRED

(c) Calculate the monthly break-even point in **revenue.**

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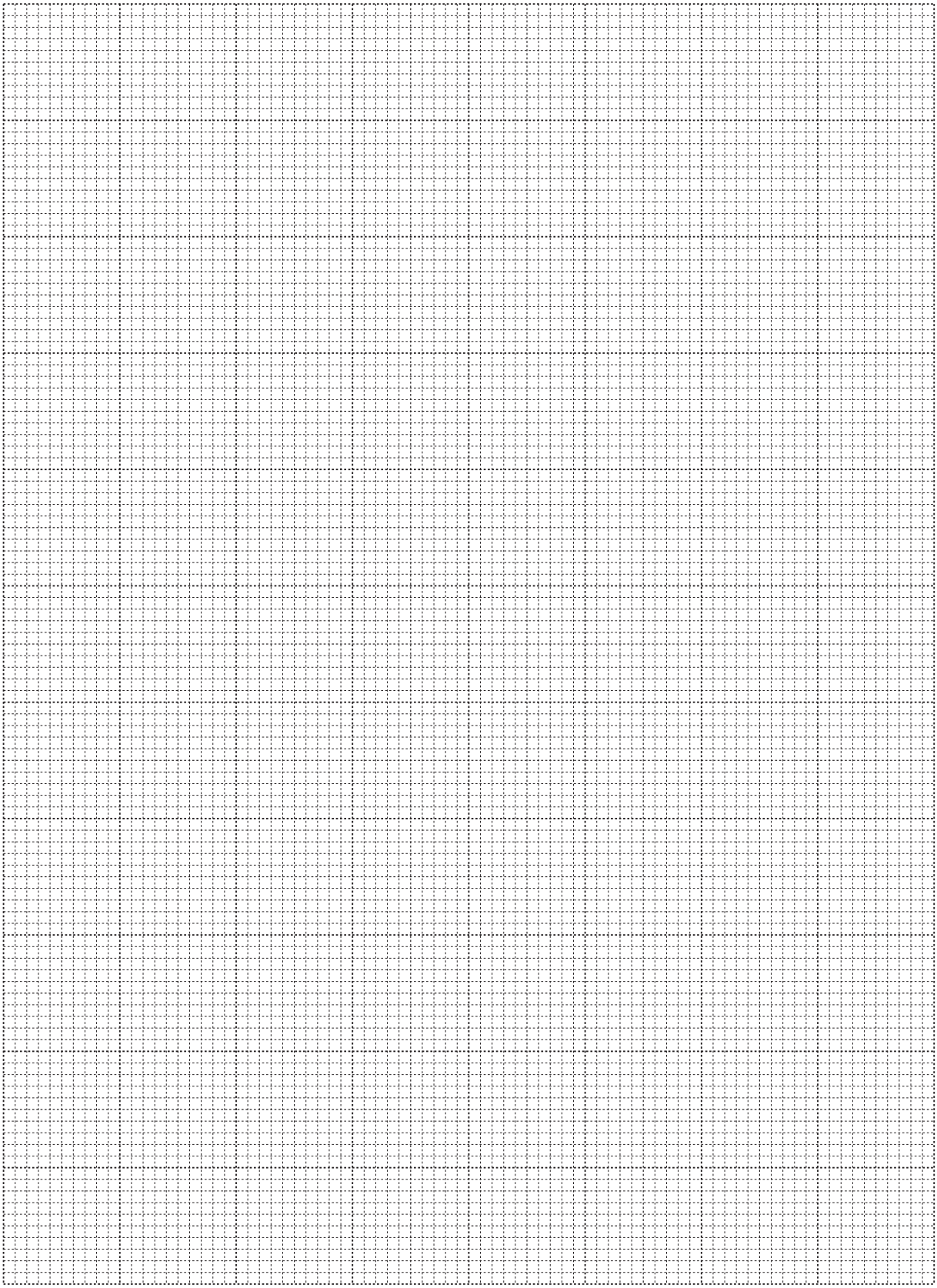
(d) Prepare a break-even chart for product Exe for the year ending 30 June 2016. Clearly indicate the areas of profit and loss.



[7]

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(e) State **three** assumptions the accountant must make when preparing a break-even chart.

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Additional information

The company uses marginal costing in order to calculate its break-even point for its 'make or buy' decisions.

REQUIRED

(f) State **three** further reasons why a business might use a marginal costing system.

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[Total: 30]

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