



# Cambridge International AS & A Level

CANDIDATE  
NAME

CENTRE  
NUMBER

--	--	--	--	--

CANDIDATE  
NUMBER

--	--	--	--



## ACCOUNTING

9706/22

Paper 2 Structured Questions

October/November 2022

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 **20** pages. Any blank pages are indicated.

- 1 The following balances have been extracted from the draft financial statements of H Limited at 30 September 2022.

	\$
8% bank loan (2028–2029)	28 000
Cash and cash equivalents	2 590
Inventory	48 900
Plant and machinery at net book value	52 000
Property at valuation	65 000
Retained earnings	27 350
Revaluation reserve	23 000
Share capital (ordinary shares of \$1 each)	80 000
Share premium	19 400
Trade payables	17 140
Trade receivables	26 400

The directors discovered that the following had **not** been accounted for.

- 1 Plant and machinery had been purchased for \$16 500. This was settled by the part-exchange of machinery with a net book value of \$11 800 and a bank payment of \$4 700.
- 2 No depreciation for the year had been charged. Plant and machinery is depreciated at 10% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase and none in the year of disposal.
- 3 A bonus issue of one ordinary share for every four shares held had been made on 1 June 2022. The directors had decided to keep the reserves in the most flexible form.
- 4 An interim dividend of \$0.03 per share had been paid on 1 September 2022 on all shares in issue at that date.
- 5 Property had been revalued downwards by \$4 000.
- 6 One half of the 8% bank loan (2028–2029) had been repaid on 30 September 2022.
- 7 A provision for doubtful debts of 5% was to be made.

**REQUIRED**

- (a) Prepare the journal entry to record the bonus issue of shares. Dates and narrative are **not** required.

.....  
.....  
.....  
.....  
.....  
..... [3]

- (b) Calculate the net book value of plant and machinery at 30 September 2022.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

- (c) Calculate the adjusted balance of cash and cash equivalents at 30 September 2022.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]



(e) Prepare the statement of financial position at 30 September 2022.

H Limited  
Statement of Financial Position at 30 September 2022

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[8]

(f) Explain **two** differences between capital reserves and revenue reserves.

1 .....

.....

.....

.....

.....

.....

.....

.....

[4]

(g) Explain **one** accounting concept applied when making a provision for doubtful debts.

.....

.....

.....

.....

[2]

[Total: 30]

**PLEASE TURN OVER**

- 2 Usman has extracted the following information from his books of account in order to update the sales ledger control account for the month of August 2022.

	\$
Balance brought down at 1 August 2022	34 210
Cheque receipts from credit customers	32 840
Customers' dishonoured cheques	1 020
Sales journal totals	29 760
Sales returns journal totals	980

Usman has produced a list of all customer account balances at 31 August 2022 totalling \$30 477.

He has discovered the following:

- 1 The total of the sales journal had been overcast by \$600.
- 2 Discounts allowed of \$218 had been entered in customers' accounts but no entries had been made in the control account.
- 3 A contra for \$325 had been correctly entered in both the customer's account and the supplier's account.
- 4 A customer's overpayment of \$65 had been repaid by cheque but no entries had been made in the books of account.
- 5 A cheque received from Musa for \$250 had been posted to the account of Hussein.
- 6 An irrecoverable debt of \$180 had been correctly written off in a customer's account but had not been entered in the control account.
- 7 A credit balance of \$315 on a customer's account had been incorrectly entered as a debit balance in the list of customer account balances at 31 August 2022.



**REQUIRED**

- (a) Prepare the updated sales ledger control account for the month of August 2022.

Sales ledger control account

	\$		\$
Balance b/d	34 210		

[9]

- (b) Prepare an amended total of customer account balances to agree with the sales ledger control account balance in (a).

	\$
Original total of customer account balances	30 477

[3]

(c) State **one** limitation of preparing a control account.

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

(d) Explain why a sales ledger control account would help in the prevention of fraud.

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

[Total: 15]

**PLEASE TURN OVER**

3 N Limited provided the following information for the year ended 31 August 2022.

	\$
6% debentures (2022)	20 000
Bank overdraft	9 430
Cash in hand	650
Closing inventory	64 800
Finance costs	1 400
Opening inventory	45 600
Operating expenses	96 000
Other payables	4 340
Other receivables	6 080
Purchases	172 000
Revenue	292 000
Trade payables	10 100
Trade receivables	19 800

Cash sales accounted for 20% of revenue.

Cash purchases accounted for 25% of purchases.

### REQUIRED

(a) Calculate the following efficiency ratios, showing the formula used.

Ratio	Formula	Workings
Trade receivables turnover (days)		
		Answer:
Trade payables turnover (days)		
		Answer:

[4]

(b) Calculate the following liquidity ratios to **two** decimal places, showing the formula used.

Ratio	Formula	Workings
Current ratio		
		Answer:
Liquid (acid test) ratio		
		Answer:

[4]



- 4 Brady manufactures one product which is sold through agents who receive a 10% commission based on the selling price.

The following budgeted information is available for December 2022.

	\$
Sales revenue (12 000 units)	78 000
Direct materials	21 600
Direct labour	14 400
Variable production overheads	4 800
Fixed production overheads	9 200
Fixed administrative overheads	6 100
Selling expenses including sales commission	13 200

All selling expenses with the exception of sales commission are fixed.

**REQUIRED**

- (a) Calculate for December 2022:

- (i) budgeted total contribution

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

- (ii) budgeted total profit

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

- (iii) break-even point in units.

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

(b) State the formula for calculating the margin of safety.

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

**Additional information**

Brady has a monthly target profit of \$10 800.

**REQUIRED**

(c) Calculate how many units Brady would have to sell in December 2022 in order to achieve the target profit.

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

**Additional information**

Brady is aware that he needs to make changes in order to achieve his monthly target profit and he is proposing the following:

- 1 Improve the specification of the product and increase the selling price by \$0.30 per unit.
- 2 The new materials will increase the direct material price by \$0.40 per unit.
- 3 Reduce the direct labour rate by 5% per unit.
- 4 Reduce the sales commission to 8%.
- 5 Reduce the administrative overheads by \$18 000 per annum by making one member of staff redundant.
- 6 Increase the advertising budget by \$2500 per month.

Brady is confident that these measures will produce additional sales of 1000 units each month.



**REQUIRED**

- (d) Prepare a budgeted marginal cost statement for December 2022 if Brady makes the proposed changes.

Brady  
Budgeted marginal cost statement for December 2022

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Workings:

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[10]



(g) State **two** limitations of cost–volume–profit analysis.

1 .....

.....

2 .....

.....

[2]

[Total: 30]

**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 Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.