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

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

8546376649

ACCOUNTING **9706/22**

Paper 2 Structured Questions **May/June 2010**

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	

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1 The following trial balance was extracted from Hickory's books of account at 30 April 2010.

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	Dr $000	Cr $000
Revenue (sales)		5684
Raw materials purchased	2628	
Trade receivables (debtors)	480	
Provision for doubtful debts		16
Trade payables (creditors)		426
Factory non-current (fixed) assets at cost	2800	
Office non-current (fixed) assets at cost	952	
Accumulated depreciation at 1 May 2009		
Factory non-current (fixed) assets		1100
Office non-current (fixed) assets		380
Bank		290
Bank charges	12	
Bank interest	38	
Factory expenses	432	
Manufacturing wages	548	
Office expenses	348	
Office salaries	194	
Sales expenses	248	
Rent		48
Inventory (stocks) at 1 May 2009		
Raw materials	164	
Finished goods	292	
Work in progress	146	
Capital		1338
	9282	9282

Additional information:

1 Inventory (stocks) at 30 April 2010

Raw materials	$202 000
Finished goods	$252 000
Work in progress	$128 000

2 All depreciation for the year is to be 25% on cost.

3 $28 000 which had been charged to manufacturing wages should have been charged to office salaries.

4 Bad debts of $14 000 are to be written off.

5 The provision for doubtful debts is to be reduced by $6000.

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REQUIRED

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(a) Prepare Hickory's manufacturing account for the year ended 30 April 2010.

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(b) Prepare Hickory's income statement (trading and profit and loss account) for the year ended 30 April 2010.

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(c) Prepare Hickory's balance sheet at 30 April 2010.

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[Total: 30]

2 Depreciation may be thought of as the difference between the cost of an asset and the amount received from it on disposal.

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The following extract from the schedule of non-current (fixed) assets applies to the year ended 30 April 2009.

Non-current (fixed) assets	Machinery	Motor vehicles
	$000	$000
Cost at 1 May 2008	4200	3200
Additions during year	1200	800
Disposals during year	(700)	(1000)
Cost at 30 April 2009	4700	3000
Depreciation at 1 May 2008	1560	840
Add charge for year	470	750
Less disposals for year	(520)	(800)
Depreciation at 30 April 2009	1510	790
Net book value at 30 April 2009	3190	2210

During the year ended 30 April 2010 the following took place:

1 New machinery costing $900 000 was purchased on 1 November 2009. Machinery, which had cost $400 000 on 1 July 2005, was sold for $200 000 in December 2009.

2 Three new motor vehicles were purchased on 1 April 2010 for $280 000 **each**. Two motor vehicles, which had been purchased on 1 March 2007, for $200 000 **each**, were taken in part-exchange. The part-exchange allowance for **each** vehicle was $60 000.

3 One vehicle which had been purchased for $360 000 on 31 January 2009 was involved in an accident on 2 December 2009. The insurance company decided that it could not be repaired and gave compensation of $210 000.

Depreciation is charged for the full year on all non-current (fixed) assets held at the year-end, using the straight-line method.

No depreciation is charged on a non-current (fixed) asset in the year of disposal.

Rates of depreciation have remained constant since the business began trading.

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(a) (i) Calculate the profits or losses on disposals during the year ended 30 April 2010.

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(ii) Prepare a schedule of non-current (fixed) assets for the year ended 30 April 2010, using the layout given at the beginning of the question.

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(b) (i) State **three** causes of depreciation.

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(ii) Give an example of a non-current (fixed) asset for which **each** cause given in **(b)(i)** above might be appropriate.

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(c) State **four** factors which must be taken into account when deciding how much depreciation to charge.

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[Total: 30]

3 Break-even analysis has been described as a useful tool for the accountant.

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(a) (i) Define the break-even point.

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(ii) Define the margin of safety.

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The following figures have been extracted from Katerina's books of account for the month of April 2010:

	$	$
Sales		460 000
Total variable costs	299 000	
Total fixed costs	90 000	389 000
Profit		71 000

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(b) Calculate Katerina's contribution as a percentage of sales (c/s ratio).

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(c) Calculate Katerina's break-even point.

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(d) Calculate the sales in dollars necessary to make a profit of $100 000.

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(e) Calculate the profit or loss if sales for the month are $375 000.

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(f) If the original sales prices are reduced by 5% but costs do not change, calculate the value of sales needed to achieve a profit of $80 000.

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[Total: 30]

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