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

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

4122114519

ACCOUNTING **9706/21**

Paper 2 Structured Questions **May/June 2012**

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.
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.

For Examiner's Use	
1	
2	
3	
Total	

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1 Alana owns and manages a shop with three separate departments selling food, clothing and toys. The following trial balance is available for the year ended 30 April 2012.

	$ 000	$ 000
Inventory at 1 May 2011:		
Food	10	
Clothing	12	
Toys	31	
Purchases and sales		
Food	67	250
Clothing	50	150
Toys	57	100
Sales staff wages	80	
Advertising	8	
Heat and light	30	
Insurance	5	
Fixtures and fittings at cost	120	
Provision for depreciation, fixtures and fittings		12
Property	200	
Trade receivables	95	
Bank	55	
Trade payables		40
Capital		268
	820	820

Additional information:

1 Inventory at 30 April 2012:

	$
Food	17 000
Clothing	12 000
Toys	43 000

2 The shop has 2 floors with the food department on the ground floor and both the clothing and toys departments taking up equal floor space on the floor above.

3 At 30 April 2012:
- an invoice for advertising amounting to $2000 remained unpaid;
- $6000 had been paid in advance for heating and lighting.

4 Expenses are apportioned between departments as follows:

Apportioned on the basis of sales income:
- sales staff wages; advertising.

Apportioned on the basis of floor area:
- heat and light; insurance; depreciation.

5 Straight line depreciation is charged on fixtures and fittings at 10% per annum.

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REQUIRED

(a) Prepare, in columnar format, a departmental income statement for the year ended 30 April 2012.

	Food Dept		Clothing Dept		Toys Dept	
	$000	$000	$000	$000	$000	$000

[18]

For Examiner's Use

(b) Explain how the preparation of a departmental income statement might assist Alana in managing the business.

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(c) Alana's accountant values some inventory at cost of purchase and some at net realisable value.

Explain these terms to Alana:

(i) cost of purchase

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(ii) net realisable value.

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[Total: 30]

2 Jackie and Kim are in partnership sharing profits and losses in the ratio of 3:2. The following statement of financial position was provided on 30 April 2012.

Statement of Financial Position at 30 April 2012

	$	$	$
Non-current assets at net book value			
Premises			120 000
Fixtures and fittings			72 000
			192 000
Current assets			
Inventory	30 000		
Trade receivables	20 000		
Bank	16 000		
		66 000	
Current liabilities			
Trade payables	12 000		
Wages accrued	1 000		
		13 000	
Net current assets			53 000
Net assets			245 000
Capital accounts			
Jackie		141 000	
Kim		94 000	235 000
Current accounts			
Jackie		6 000	
Kim		4 000	10 000
			245 000

Maura is a long-term employee of the partnership. Her current annual salary is $16 500.

She recently inherited a sum of $60 000 and is considering an invitation from Jackie and Kim to invest $50 000 in the business in return for becoming a partner on 1 May 2012.

If she agrees, the following terms would apply:

1 Maura is to be paid a partnership salary of $11 000 per year.

2 All partners are to receive interest on capital of 3% per year.

3 All partners are permitted to withdraw up to $10 000 per year.

4 All partners are to pay interest on annual drawings at 5% per year.

5 Maura is to receive a 10% residual share of profits and losses. The remaining profit or loss is to be divided between the other partners in ratio to their capital.

6 Jackie and Kim will withdraw the full amount available to them while Maura will withdraw $5 500.

The profit for the year ended 30 April 2013 is forecast to be $121 000.

For Examiner's Use

REQUIRED

(a) Prepare an estimated profit and loss appropriation account for the year ended 30 April 2013, assuming Maura accepts the invitation to join the partnership.

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(b) Prepare Maura's current account for the year ended 30 April 2013.

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(c) Instead of investing in the partnership Maura could bank her $50 000 at an annual interest rate of 5%.

Using appropriate figures calculated in **(a)** and **(b)**, advise Maura whether or not to accept the offer of a partnership.

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For Examiner's Use

Jackie and Kim provided the following accounting ratios:

	Year ended 30 April 2011	Year ended 30 April 2012
Percentage of gross profit to sales	21%	24%
Percentage of net profit to sales	10%	11%

REQUIRED

(d) Suggest **two** reasons for the change in the percentage of gross profit to sales.

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(e) Suggest **two** reasons for the change in the percentage of net profit to sales.

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[Total: 30]

For Examiner's Use

3 Blue Skies Ltd manufactures three types of tent: Beach, Explorer and Family.

The company provides the following forecast data for the year ending 30 April 2013:

	Beach	Explorer	Family
Forecast demand (units)	30 000	40 000	24 000
Per Unit	$	$	$
Selling price	70	130	200
Raw materials	30	36	54
Direct labour	8	20	38
Variable overhead	6	26	48

The same waterproof material is used in the manufacture of each tent.

The cost of material is estimated to be $6 per square metre.

Fixed costs for the year ending 30 April 2013 are estimated to be $3 500 000.

REQUIRED

(a) (i) Calculate the unit contribution for each product.

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For Examiner's Use

(ii) Calculate the total contribution and profit for the year based on forecast demand.

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There is only one supplier capable of producing waterproof tent material of the required quality.

They have informed Blue Skies Ltd that the maximum amount they can supply in the year will be 546 000 square metres.

REQUIRED

(b) Calculate the contribution per square metre for each product produced.

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For Examiner's Use

(c) Using the quantity of material that is available for production, calculate the number of **each** type of tent that should be produced so that total profit is maximised.

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(d) Using the quantity of material that is available, prepare a marginal cost profit statement.

Clearly show the contribution made by **each** type of tent and the **total** profit made in the year.

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For Examiner's Use

(e) The directors determine that at least 27 000 units of the Beach tent have to be produced in the coming year.

Prepare a revised marginal cost statement to show the contribution made by **each** type of tent and **total** profit made in the year.

[5]

[Total: 30]

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