Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

0761978044

ACCOUNTING **9706/23**

Paper 2 Structured Questions **May/June 2014**

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 **16** printed pages.

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CAMBRIDGE International Examinations

1 The treasurer of the Ocean Fishing Club has prepared the following receipts and payments account for the year ended 31 March 2014.

Receipts	$	Payments	$
Balance at 1 April 2013	6 570	Payments to trade payables	2 974
Subscriptions received	7 400	Shop wages	3 670
Donations	1 450	Administration expenses	2 790
Receipts from annual family day	2 300	New equipment	5 600
Shop takings	7 690	Repairs to equipment	2 500
		Transfer to deposit account	7 000
		Balance c/d	876
	25 410		25 410

	1 April 2013	31 March 2014
	$	$
Shop inventory	975	859
Trade payables for shop	560	784
Deposit account	6 000	13 000
Equipment at cost	9 800	?
Provision for depreciation	2 940	?
Repairs to equipment owing	420	370
Shop wages due	250	195
Shop fittings at net book value	750	640

Additional information

1 The donations are to be capitalised.

2 There are 350 members who pay an annual subscription of $20.

At 1 April 2013, 30 members had paid in advance for the coming year but 24 members had not yet paid for the year ended 31 March 2013.

At 31 March 2014, 10 members had yet to pay and some members had paid in advance but the treasurer has not yet calculated how many.

3 Interest of 5% per annum is credited to the deposit account by the bank on 31 March each year. This has not yet been entered in the books.

The transfer of $7000 to the deposit account was made on the 31 March 2014.

4 Equipment is depreciated at 15% per annum using the reducing (diminishing) balance method. A full year's depreciation is charged in the year of purchase.

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REQUIRED

(a) Prepare the shop trading account for the year ended 31 March 2014.

[4]

(b) Prepare the income and expenditure account for the year ended 31 March 2014.

[6]

(c) Prepare the statement of financial position at 31 March 2014.

[11]

Additional information

The club wishes to buy a new boat for use by members. It will cost $12 500.

REQUIRED

(d) Suggest **three** ways the club could raise the finance to purchase the new boat.

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3 .....

..... [3]

(e) State **one** advantage and **one** disadvantage of each method you have suggested.

1 Advantage

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Disadvantage

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2 Advantage

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Disadvantage

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3 Advantage

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Disadvantage

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..... [6]

[Total: 30]

2 Helen Ossetia provides the following information for the year ended 31 May 2013.

Non-current assets	Buildings $000	Machinery $000	Motor vehicles $000	Total $000
Cost	2000	2000	700	4700
Accumulated depreciation at 31 May 2013	(120)	(800)	(300)	(1220)
Net Book Value	1880	1200	400	3480
Depreciation charge for the year	40	400	100	540

A full year's depreciation is charged in the year of purchase and no depreciation is charged in the year of disposal.

Buildings and machinery are depreciated using the straight line method.

Motor vehicles are depreciated using the reducing (diminishing) balance method.

REQUIRED

(a) Explain why Helen needs to depreciate her non-current assets.

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(b) State **three** causes of depreciation of motor vehicles.

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3 ..... [3]

(c) Calculate the rate of depreciation used by Helen at 31 May 2013 to depreciate **each** class of non-current asset.

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(d) Explain why machinery is usually depreciated using the straight line method while motor vehicles are usually depreciated using the reducing balance method.

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..... [4]

Additional information

During the year ended 31 May 2014:

1 Helen bought new machinery costing $720 000 and sold old machinery which had cost $160 000. The old machinery had been bought on 1 December 2011.

2 Helen bought a new motor vehicle. She traded in an old vehicle valued at $40 000 and paid the balance of $160 000, by cheque.

The trade in vehicle had cost $100 000 and had a net book value of $60 000 at the date of disposal.

3 A new building costing $1 000 000 was completed during the year.

REQUIRED

(e) Complete the non-current asset schedule below for the year ended 31 May 2014.

	Buildings	Machinery	Motor vehicles	Total
	$000	$000	$000	$000
COST				
Balance at 31 May 2013	2000	2000	700	4700
Additions				
Disposals				
Balance at 31 May 2014				
DEPRECIATION				
Balance at 31 May 2013	120	800	300	1220
Charge for the year				
Disposals				
Balance at 31 May 2014				
NBV at 31 May 2014				
NBV at 31 May 2013	1880	1200	400	3480

[16]

[Total: 30]

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Question 3 is on the next page.

3 Chester Limited manufactures clothing. The work takes place in three production departments – cutting, sewing and finishing. In addition, the business has two service departments – stores and maintenance.

The budgeted overheads for the year ending 31 March 2014 were as follows:

	$
Indirect wages	185 400
Rent and rates	38 500
Power	32 600
Light and heat	18 800
Machine depreciation	73 700
Buildings insurance	18 200

The following information is available.

	Cutting	Sewing	Finishing	Stores	Maintenance
Number of indirect employees	3	5	3	4	5
Floor space (square metres)	5 000	6 000	3 000	3 000	4 000
Net book value of machinery ($)	86 000	64 000	12 000	-	5 000
Machine hours	40 000	50 000	4 000	-	-
Direct labour hours	84 000	22 000	56 000	-	-
Raw material issues	75%	17.5%	2.5%	-	5%

Chester Limited uses a single overhead rate to absorb all overheads on a direct labour hour basis.

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REQUIRED

(a) State **one** advantage and **one** disadvantage to Chester Limited of using a single overhead absorption rate.

Advantage .....

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Disadvantage .....

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..... [4]

(b) Calculate, correct to **two** decimal places, the overhead absorption rate for the year ending 31 March 2014.

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..... [1]

Additional information

The directors of Chester Limited are considering changing the basis for recovering overheads to calculate a separate overhead absorption rate for each production department.

REQUIRED

(c) Apportion the costs to the five departments and re-apportion the service departments' costs to production departments using a suitable basis.

	Total $	Cutting $	Sewing $	Finishing $	Stores $	Maintenance $
Indirect wages						
Rent and rates						
Power						
Light and heat						
Machine depreciation						
Buildings insurance						
Reapportion stores						
Reapportion maintenance						

[10]

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(d) Calculate, correct to **two** decimal places, appropriate overhead absorption rates for **each** production department.

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Additional information

The actual results for the year were as follows:

	Cutting	Sewing	Finishing
Factory overheads	$168 180	$146 320	$51 870
Direct labour hours	85 200	20 950	58 140
Direct machine hours	42 330	52 450	4 280

REQUIRED

(e) Calculate the under- or over-absorption of overheads for **each** production department.

	Cutting $	Sewing $	Finishing $

[6]

(f) Manufacturing businesses classify costs by function. State **three** functional groups of costs.

1 .....

2 .....

3 ..... [3]

[Total: 30]

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