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

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

3966620666

ACCOUNTING **9706/21**

Paper 2 Structured Questions **October/November 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.

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1	
2	
3	
Total	

This document consists of **13** printed pages and **3** blank pages.

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1 On 1 January 2009 Clara Coyle, a sole trader, had the following balances:

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	$
Inventory (stock)	24 170
Premises	60 000
Fittings and fixtures (net book value)	28 000
Cash and cash equivalents (bank)	4 000
Rates prepaid	440
Trade receivables (debtors)	3 810
Trade payables (creditors)	3 420
Capital	117 000

There was no opening cash or cash equivalent.

Full accounting records were not kept, but the following information was available for the year ended 31 December 2009.

Bank Account Receipts	$
Loan from uncle (interest free)	10 000
Receipts from trade receivables (debtors)	163 100
Cash sales paid into bank	34 000
Bank Account Payments	
Payments to trade payables (creditors)	141 508
Ordinary goods purchased (purchases) by cheque	6 300
Rates	2 600
Drawings	3 650
General expenses	4 410
Wages	21 300
Cash payments from cash sales	
General expenses	2 680
Purchases	1 200
Balances as at 31 December 2009	
Trade receivables (debtors)	4 100
Trade payables (creditors)	11 850
Rates prepaid	240
General expenses owing	400
Wages owing	1 620
Cash and cash equivalents (cash)	515
Bank	?

Additional Information:

1 The selling price on all goods is based on cost plus 25%.

2 During the year Clara Coyle withdrew goods, costing $140, from the business, for her own use.

3 The business allowed discounts, $1 300, to its trade receivables (debtors).

4 The business received discounts, $1 600, from its trade payables (creditors).

5 No additions or disposals of non-current (fixed) assets took place during the year.

Depreciation of $3 000 is to be provided on fixtures and fittings.

Premises are not depreciated.

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REQUIRED

(a) Calculate the total sales for the year ended 31 December 2009.

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(b) Calculate the total purchases for the year ended 31 December 2009.

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(c) Prepare the Income Statement (trading and profit and loss account) for Clara Coyle for the year ended 31 December 2009.

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(d) Prepare the Balance Sheet for Clara Coyle at 31 December 2009.

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[Total: 30]

2 The following information is given about the Schubert Music Club.

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Schubert Music Club
Balance Sheet at 31 December 2008

	Cost	Depreciation	Net Book Value
Non-current (Fixed) Assets	$	$	$
Clubhouse	50 000	10 000	40 000
Instruments	6 000	5 000	1 000
	56 000	15 000	41 000
Current Assets			
Inventory (stock) of cafe supplies		4 000	
Subscriptions in arrears		400	
Cash and cash equivalents (bank)		2 100	
		6 500	
Current Liabilities			
Trade payables (creditors) for cafe supplies	3 000		
Cafe expenses owing	1 200		
Subscriptions in advance	300		
		4 500	2 000
			43 000
Accumulated fund			41 000
Life subscriptions			2 000
			43 000

Schubert Music Club
Receipts and Payments Account for the year ended 31 December 2009

	$		$
Balance b/d	2 100	Suppliers for cafe	8 400
Subscriptions – 2008	300	Cafe expenses	4 200
Subscriptions – 2009	2 200	Wages – cafe staff	5 000
Life subscriptions	4 000	Clubhouse repairs	6 000
Cafe takings	18 500	Sundries	2 500
		Balance c/d	1 000
	27 100		27 100

Additional information at 31 December 2009

1 Inventory (stock) for the cafe was $2 000.

2 Suppliers for cafe purchases were owed $2 200.

3 Cafe expenses of $50 were owing.

4 Depreciation is to be charged on a straight line basis:
Clubhouse: 4% on cost per annum
Instruments: $1 000 per annum

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5 Life subscriptions are available under a scheme which started 8 years ago. The cost remains at the original $500 per person. At 31 December 2008 there were six members with life subscriptions.

The life subscriptions are brought into income over 20 years commencing from the year in which payment of life subscription takes place.

6 The ordinary subscription rate for 2009 was $100 per person. This is to be increased by 50% in 2010.

No subscriptions are prepaid for 2010.

$300 remained owing from 2009 but these are expected to be received during January 2010.

Subscriptions owing at 31 December 2008, which were not received during 2009, are to be written off as bad debts.

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REQUIRED

(a) Prepare a Subscriptions Account for ordinary members for the year ended 31 December 2009 (a life subscriptions account is **not** required).

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(b) Prepare a Cafe Trading Account for the year ended 31 December 2009.

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(c) Prepare an Income and Expenditure Account for the year ended 31 December 2009.

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The treasurer had suggested increasing cafe prices and the rate of lifetime subscriptions but the club committee refused to do this.

Instead, the committee decided to raise the ordinary subscriptions by 50%.

REQUIRED

(d) Suggest **three** additional ways in which the club could try to minimise or eliminate the deficit in future years.

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[Total: 30]

3 Debussy currently produces one product for which the following information is available:

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Product **D946**	$ per unit
Selling price	6.00
Direct materials	2.50
Direct labour	1.40
Variable overheads	1.10
Total fixed costs	$120 000 per annum
Sales per annum (units)	200 000

REQUIRED

(a) Using the data for the current product **D946** calculate the following:

(i) break – even point in units **and** sales value;

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(ii) profit for the year, showing the contribution per unit;

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(iii) margin of safety in units **and** as a percentage of sales.

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(b) Prepare the contribution to sales (profit/volume) graph, using the chart below, for the current product **D946**. Clearly show the profit at the current sales level.



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Debussy is considering extending its product range with two additional products.

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The fixed costs would double to $240 000 if any new product was introduced and would apply regardless of the number of new products introduced.

	Product D947	**Product D948**
	$ per unit	$ per unit
Selling price	9.00	13.00
Direct materials	6.60	7.00
Direct labour	2.40	2.10
Variable overheads	1.50	0.90
Sales per annum (units)	50 000	30 000

The demand for each product is estimated to be fixed at the levels stated, regardless of whether one or two additional products are introduced.

The existing workforce is currently operating at full capacity in the production of product D946.

REQUIRED

(c) Debussy decides to extend the product range with **both** additional products.

Calculate the maximum profit Debussy could achieve in the next full year, if it were to produce products **D946**, **D947** and **D948**.

Show clearly the total contribution per product.

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(d) Based on your calculations advise Debussy whether or not to go ahead and produce all three products. Give reasons for your advice.

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[Total: 30]

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