Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

6275563674

ACCOUNTING **9706/23**

Paper 2 Structured Questions **October/November 2015**

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 **13** printed pages and **3** blank pages.

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CAMBRIDGE International Examinations

[Turn over

1 Anton, a sole trader, does not keep proper books of account. He supplies the following information for the year ended 30 September 2015.

	1 October 2014	30 September 2015
	$	$
Office fixtures at net book value	9 500	8 600
Delivery vehicles		
Cost	15 700	?
Accumulated depreciation	4 600	?
Trade payables	12 670	13 460
Trade receivables	10 500	9 670
Rent payable owing	1 500	2 400
Cash	980	445
Inventory	24 640	40 800
Bank	2 400 Credit	?

Summary of Anton's bank account is as follows.

Bank Account Summary

	$
Receipts	
Receipts from credit customers	153 300
Cash sales banked	12 900
Sale of delivery vehicle	5 400
Payments	
Payments to credit suppliers	118 900
Wages	17 800
Rent	8 500
Electricity	7 540
General expenses	4 630
Purchase of delivery vehicle	13 600

Additional information

1 The inventory at 30 September 2015 was valued at selling price. Anton applies a mark up of 50%.

2 During the year a delivery vehicle which had cost $9000 on 1 October 2012 was sold for $5400.

3 Delivery vehicles are depreciated at 20% per annum using the reducing balance method. Depreciation is charged in the year of purchase but not in the year of sale.

4 Anton took cash drawings of $600 per month before the cash sales were banked but has not recorded these. He also took goods for his own use which had a sales value of $2763.

5 Total cash sales were $20 476.

6 There are unrecorded delivery vehicle expenses not accounted for.

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REQUIRED

(a) Prepare Anton's income statement for the year ended 30 September 2015.

[16]

(b) Prepare a statement of financial position at 30 September 2015.

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..... [8]

Additional information

Anton is not sure if he will recover all trade receivables due and has been advised to set up a provision for doubtful debts. He plans to write off a bad debt of $750 and set up a provision for doubtful debts at 4%.

REQUIRED

(c) Calculate the effect these adjustments would have on his profit.

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(d) Explain why he should include the provision for doubtful debts in his accounts.

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[Total: 30]

2 Tania and Sue are in partnership. The following balances have been taken from their books of account at 31 January 2015.

	$
Revenue	163 400
Insurance	13 260
Wages	6 500
Rent received	10 400
Rates paid	9 500
Provision for doubtful debts	174
Office expenses	28 200
Capital	
Tania	120 000
Sue	80 000

Additional information

1 On 31 January 2015, insurance prepaid amounted to $6400 and wages accrued amounted to $8500.

2 Rent received is for the period 1 February 2014 to 28 February 2015.

3 Office expenses include $470 for use of Tania's home telephone.

4 The provision for doubtful debts is to be maintained at 3% of trade receivables.
On 31 January 2015 the trade receivables totalled $7800.

5 Fixtures and fittings are depreciated at 10% per annum using the straight-line method. Fixtures and fittings cost $7500.

6 Motor vehicles cost $60 000. Accumulated depreciation at 31 January 2014 was $35 000. No vehicles were bought or sold during the year. Vehicles are depreciated at 20% using the reducing balance method.

7 Computer equipment was valued at $5700 on 1 February 2014. A new computer costing $1800 was purchased during the year. There were no sales of computer equipment during the year. On 31 January 2015 the computer equipment was valued at $6200.

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REQUIRED

(a) Prepare the partnership's income statement for the year ended 31 January 2015.

[11]

Additional information

On 1 February 2014 the balance on Tania's current account was $5000 (credit).
On 31 January 2015, the balance on her current account was $71 068 (credit). She withdrew $5000 during the year.

The partnership agreement provides for the following:

1 Partners are permitted to withdraw up to a maximum of 5% of capital invested.

2 Interest on drawings is charged at a rate of 7% on the annual drawings.

3 Interest on capital is payable at 4% per year.

4 Tania receives a salary of $1450 per month.

5 Profits and losses are shared in the ratio of capital invested.

REQUIRED

(b) Prepare Tania's current account for the year ended 31 January 2015 to identify her share of profit for the year.

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(c) State **four** possible causes of depreciation of non-current assets.

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(d) State and explain **two** accounting concepts that apply to depreciation.

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(e) State why the reducing balance method of depreciation is more appropriate for non-current assets like motor vehicles.

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[Total: 30]

3 Tellwright Limited started trading on 1 January 2015. It produced two products, the Mynor and the Hanbridge. After three months of trading the following information was available.

	Mynor	Hanbridge
Units produced	800	600
Units sold	700	400
Direct materials per unit	2 kilos at $6 per kilo	3 kilos at $5 per kilo
Direct labour per unit	4 hours at $9 per hour	4.5 hours at $10 per hour
Selling price per unit	$90	$120

REQUIRED

(a) Complete the following table to show the **total** direct cost incurred for **each** product in the three month period ended 31 March 2015.

	Mynor $	Hanbridge $
Direct materials		
Direct labour		
Total		

[4]

Additional information

In addition to the two production departments there was also a sales and administration department.

Data relating to the three departments were as follows.

	Mynor	Hanbridge	Sales and administration
Floor area (square metres)	2 500	2 000	500
Power usage (kilowatt hour)	12 000	15 000	3 000
Non-current assets (cost at start of trading)	$9 000	$8 000	$3 000

Following information is also available.

1 The factory supervisor is paid $23 600 a year. His time is spent in proportion to the direct labour hours worked in each production department.

2 The lease specifies that the rent is $50 000 a year.

3 The invoice for power used in the first three months of trading amounted to $6000.

4 Depreciation is charged at a rate of 20% per annum on cost.

5 Sales and administration costs amounted to $13 550 for the three months. These are regarded as fixed costs by the business.

6 No inventory of raw materials is kept.

7 Inventory of finished goods is valued on the basis of absorption cost.

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REQUIRED

(b) Complete the following table to value inventory by allocating overhead costs across the three departments for the three months ended 31 March 2015. (Where there is no allocated cost enter a zero.)

	Total $	Mynor $	Hanbridge $	Sales and administration $
Supervisor's salary				
Rent				
Power				
Depreciation				
Sales and administration				
Total				

[7]

(c) Complete the following table to show the value of inventory of **each** product at 31 March 2015.

	Mynor $	Hanbridge $
Value per unit		
Number of units in inventory		
Total value of inventory		

[6]

Question 3(d) is on the next page.

(d) Prepare the manufacturing account for the three months ended 31 March 2015.

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(e) Prepare the income statement for the three months ended 31 March 2015.

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[Total: 30]

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