Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE NAME		
CENTRE NUMBER		
CANDIDATE NUMBER		

6883294814

ACCOUNTING **9706/21**

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 **14** printed pages and **2** blank pages.

CAMBRIDGE
International Examinations

[Turn over

1 The City Cricket Club's Receipts and Payments Account for the year ended 30 September 2015 is as follows:

Receipts	$	Payments	$
Balance at 1 October 2014	5 604	Supplies for refreshments	2 697
Subscriptions received	6 650	Groundsman's wages	3 500
Sale of refreshments	4 430	New equipment	3 600
Sale of advertising space	2 600	Team travelling expenses	942
Donations	770	Rent of the ground	4 500
Sale of old equipment	1 500	Balance at 30 September 2015	6 315
	21 554		21 554

Other balances were as follows:

	at 1 October 2014 $	at 30 September 2015 $
Trade payables for refreshments	960	840
Inventory of refreshments	770	590
Subscriptions in advance	670	540
Subscriptions in arrears	240	320
Life membership fund	2 800	?
Equipment at cost	10 700	?
Accumulated depreciation	4 800	?
5% Loan account repayable in 2017	5 000	5000

Additional information

1 Some of the subscriptions in arrears at 1 October 2014, amounting to $50, were never received and are to be written off.

2 The equipment is depreciated monthly at 20% per annum using the straight-line basis.

3 Old equipment sold on 31 March 2015 had been purchased on 1 January 2012 for $5000. New equipment was purchased on 1 April 2015.

4 Life membership costs $40 and there were 10 new members during the year included in subscriptions received. The life membership is written off over 10 years.

REQUIRED

(a) Prepare the refreshments trading account for the year ended 30 September 2015.

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(b) Prepare the club's income and expenditure account for the year ended 30 September 2015.

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(c) Prepare the club's statement of financial position at 30 September 2015.

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(d) Explain the accounting treatment of a life membership fund.

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(e) Explain why the balance on the club's bank account is **not** the same as its surplus.

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[Total: 30]

2 Alex and Barry have been in partnership for many years. The terms of the partnership agreement are as follows.

1 Interest is payable to the partners on their loan accounts at 10% per annum.
2 Interest on capital is allowed at the rate of 5% per annum.
3 Barry is entitled to a salary of $6000 per annum.
4 Interest on drawings is charged at the rate of 4% on the annual drawings.
5 Profits and losses are shared in the ratio of 3:1.

The following balances were taken from their books of account at 31 May 2014.

	Alex		Barry	
	$		$	
Capital account	90 000		60 000	
Current account	14 000	Cr	12 500	Dr
Loan account	15 000		16 000	

During the year ended 31 May 2015, drawings for Alex totalled $5000 and for Barry $12 000.

After the deduction of loan interest, the draft profit for the year ended 31 May 2015 was $90 000.

REQUIRED

(a) Prepare the partnership appropriation account for the year ended 31 May 2015.

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(b) Prepare the current accounts of Alex and Barry for the year ended 31 May 2015.

Current accounts

Details	Alex $	Barry $	Details	Alex $	Barry $
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Additional information

The partners agreed that it would be beneficial to admit another partner and on 1 June 2015 Cesar joined the partnership.

REQUIRED

(c) State **two** possible advantages to Alex and Barry of the admission of a new partner.

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Additional information

Cesar joined the partnership on 1 June 2015 and paid $100 000 into the partnership bank account as his capital.

It was agreed that the goodwill was to be valued at $60 000 and that no goodwill account would remain in the books of account.

The new profit sharing ratio for Alex, Barry and Cesar from 1 June 2015 was to be 3:2:1.

REQUIRED

(d) Prepare the capital accounts of Alex, Barry and Cesar to show the admission of Cesar on 1 June 2015.

Capital accounts

Details	Alex $	Barry $	Cesar $	Details	Alex $	Barry $	Cesar $
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Additional information

When the books of account were finally checked the following errors were discovered.

1 The sales day book had been undercast by $20 000.
2 Closing inventory valued at cost of $5000 had a net realisable value of $3000.
3 Repairs to motor vehicles of $7000 had been wrongly debited to the motor vehicles at cost account. (Ignore any depreciation.)
4 A purchase invoice of $4000 had been wrongly entered in the books as $400.

REQUIRED

(e) Prepare a statement to show the corrected profit for the year ended 31 May 2015.

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[Total: 30]

3 Highlander Limited has two production departments, Machining and Assembling, and one service department, Maintenance.

The following estimates had been made for year 1.

Annual budgeted information

	Machining	Assembling	Maintenance	Total
Number of employees	160	120	120	400
Floor area (square metres)	7 000	5 000	4 000	16 000
Power (kilowatt hours)	70 000	52 500	17 500	140 000
Direct machine hours	14 000	400	-	14 400
Direct labour hours	1 000	6 000	-	7 000
	$	$	$	$
Indirect material	300	268	320	888
Indirect wages	2 720	1 480	860	5 060
Value of machinery	52 000	48 000	-	100 000

Annual budgeted overheads

	$
Rent	12 800
Machinery depreciation	10 000
Power	7 200
Supervision of employees	6 400
Indirect materials	888
Indirect labour	5 060
Total overheads	42 348

REQUIRED

(a) Apportion the budgeted overheads to the three departments and re-apportion the maintenance department costs to the two production departments on the basis of the value of machinery.

Overhead Analysis Sheet

Overheads	Basis of Apportionment	Machining	Assembling	Maintenance	Totals
		$	$	$	$
Rent	floor area				
Machinery depreciation	value of machinery				
Power	kw hours				
Supervision of employees	number of employees				
Indirect materials	allocated				
Indirect labour	allocated				
re-apportionment of maintenance department overheads					

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Additional information

The Machining department overhead absorption rate is applied on a machine hour basis.
The Assembling department overhead absorption rate is applied on a direct labour hour basis.

REQUIRED

(b) Calculate overhead absorption rates for each of the **two** production departments.
Calculations should be to **two** decimal places.

(i) Machining department

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(ii) Assembling department

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Additional information

The following information relates to Job 68 which was completed during year 1.

	Machining	Assembling
	$	$
Direct materials	3 500	100
Direct labour	500	1 400
Machine hours	100	10
Direct labour hours	20	60

REQUIRED

(c) **(i)** Prepare a statement to show the total cost of Job 68.
Clearly identify the prime cost and the total overhead cost.

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(ii) Calculate the selling price of Job 68 if the profit margin is 20% of selling price.
Round-up your answer to the nearest whole number.

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Additional information

At the end of year 1 the **estimated** cost figures were compared with the **actual** cost figures.

Machining department

Indirect wages amounted to $2020 and not the $2720 estimated.

Assembling department

Actual direct labour hours used in the department totalled 5570 hours and not the 6000 hours estimated.

REQUIRED

(d) Explain the meaning of the following terms. Illustrate your answer by reference to the additional information and, where appropriate, your answer to part **(b)**.

(i) Overhead over absorption

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(ii) Overhead under absorption

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[Total: 30]

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