



Cambridge International AS & A Level

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/22

Paper 2 Structured Questions

October/November 2021

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any rough working.
- You may use a calculator.
- You should present all accounting statements in good style.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION

- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [].

This document has **16** pages. Any blank pages are indicated.



- 1 The following balances have been extracted from the books of P Limited at 31 August 2021.

	\$
5% Debentures (2022–2023)	36 000
Administrative expenses	35 180
Bank	4 770 Credit
Carriage inwards	390
Delivery vehicles	
Cost	89 420
Provision for depreciation at 1 September 2020	42 200
Distribution costs	44 320
Dividend paid	3 000
Freehold property at valuation at 31 August 2020	66 000
Interest paid	1 590
Inventory at 1 September 2020	22 880
Purchases	88 900
Revenue	216 600
Retained earnings	24 200
Returns outwards	260
Revaluation reserve	6 000
Share capital (ordinary shares of \$0.50 each)	60 000
Share premium	8 500
Trade payables	11 730
Trade receivables	32 480
Wages and salaries	26 100

The freehold property was revalued on 1 September 2020 at \$58 000. The revaluation has not yet been recorded in the books of account.

REQUIRED

- (a) Prepare the journal entry to record the revaluation of the freehold property on 1 September 2020. A narrative is **not** required.

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..... [3]

Additional information

The following information is also available.

- 1 Revenue includes goods sent to a credit customer on 23 August 2021 on a sale or return basis. The directors were uncertain whether any of these goods would be returned. The selling price of the goods was \$6400, and they had been sold at a gross margin of 25%.
- 2 Inventory in P Limited's warehouse at 31 August 2021 was valued at cost, \$18 600.
- 3 Debenture interest had been paid to 30 June 2021.
- 4 Delivery vehicle licences of \$540 had been paid for the year ending 31 December 2021.
- 5 Wages and salaries of \$620 were outstanding at 31 August 2021.
- 6 Wages and salaries are to be charged as follows:

Administrative expenses	25%
Distribution costs	75%

- 7 On 31 August 2021, a delivery vehicle was sold for \$7000. The vehicle had been purchased on 1 September 2018 for \$13 000. No entries for the sale had been made in the books of account and the sale proceeds had not yet been received.
- 8 The freehold property is used only as a distribution warehouse. Its remaining useful life at 1 September 2020 was estimated to be 40 years.
- 9 Depreciation is to be charged as follows:

Non-current asset	Depreciation method
Freehold property	Written off over the remaining useful life
Delivery vehicles	20% per annum reducing balance

A full year's depreciation is charged in the year of purchase, but none in the year of disposal.

REQUIRED

- (b) Prepare the income statement for the year ended 31 August 2021. Use the space on the **next page** for your workings.

P Limited
Income statement for the year ended 31 August 2021

	\$
Revenue	
Cost of sales	
Gross profit	
Administrative expenses	
Distribution costs	
Profit from operations	
Finance costs	
Profit for the year	

Workings

Revenue

Cost of sales

Depreciation

Administrative expenses

Distribution costs

Finance costs

[15]

- (c) Prepare a statement to show the balance of retained earnings at 31 August 2021 after the preparation of the income statement.

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..... [3]

Additional information

The directors wish to reduce the level of trade receivables.

REQUIRED

- (d) State **two** ways in which the level of trade receivables of a business could be reduced.

1

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2

..... [2]

- 2 Shamal maintains a full set of accounting records. He has extracted a trial balance at 30 September 2021 that does not balance and he has opened a suspense account for the difference.

Shamal has now identified the following six errors. There were no other errors.

- 1 A payment of \$169 for motor repairs had been correctly entered in the cash book but had been debited to the motor repairs account as \$196.
- 2 The purchase of new machinery, \$670, had been debited to general expenses.
- 3 Discount allowed of \$175 had been entered correctly in the cash book but had not been posted to the discount allowed account.
- 4 The sales journal was totalled at \$86 961. The total should have been \$86 741.
- 5 A cheque for \$425 received from McCann, a credit customer, had been correctly entered in the cash book but had been debited to the sales ledger control account.
- 6 The total of the discount received column in the cash book, \$490, had been entered twice on the correct side of the discount received account.

REQUIRED

- (a) Prepare the suspense account at 30 September 2021, clearly identifying the opening balance.

Suspense Account

Details	\$	Details	\$

[6]

- (b) Complete the table to name the type of error in each of the errors 1, 2 and 3 identified by Shamal.

Error	Type of error
1	
2	
3	

[3]

- (c) Explain **two** benefits to a business of preparing a purchases ledger control account.

1

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2

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[4]

- (d) State **two** items that would appear on the credit side of a purchases ledger control account.

1

2

[2]

[Total: 15]

- 3 The following information has been extracted from the financial statements of D Limited at 30 June 2020.

	\$
Share capital (ordinary shares of \$0.50 each)	150 000
Share premium	25 000
Retained earnings	28 700

Transactions during the year ended 30 June 2021.

1 August 2020	Made a rights issue of one ordinary share for every five shares held at \$0.70 per share. The issue was fully subscribed.
1 December 2020	Paid a dividend of \$0.02 per share on all shares in issue at that date.
1 March 2021	Made a bonus issue of two ordinary shares for every nine shares held. Reserves were left in the most flexible form.
30 June 2021	Proposed a final dividend of 2%.

The profit for the year ended 30 June 2021 was \$76 520.

REQUIRED

- (a) Prepare the following ledger accounts.

Ordinary share capital

Date	Details	\$	Date	Details	\$

Share premium

Date	Details	\$	Date	Details	\$

Retained earnings

Date	Details	\$	Date	Details	\$

[11]

(b) State **two** differences between capital reserves and revenue reserves.

1

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2

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[2]

(c) Explain **one** reason why a company might make a bonus issue of shares.

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..... [2]

[Total: 15]

- 4 Hayden manufactures two products, Aye and Bee. The business operates two production departments, Machining and Finishing, and two service departments, Stores and Maintenance.

REQUIRED

- (a) Identify **one** possible basis of apportionment that a business could use in respect of:

- (i) rent and rates

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- (ii) machinery depreciation

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- (iii) electricity for machinery.

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[3]

Additional information

The following information is available.

	Machining	Finishing
Number of orders from Stores	3 200	1 800
Maintenance call-outs	160	32
Budgeted direct labour hours	6 200	19 800
Budgeted machine hours	38 600	9 400

REQUIRED

- (b) Complete the following table to show the apportionment of budgeted overhead costs for the year ended 30 September 2021.

		Production departments		Service departments	
	Total \$	Machining \$	Finishing \$	Stores \$	Maintenance \$
Total apportioned overheads	449 800	188 850	172 850	53 325	34 775
Re-apportion Stores					
Subtotal					
Re-apportion Maintenance					
Total overheads cost					

[4]

- (c) Calculate, to **two** decimal places, an overhead absorption rate for **each** production department, using a suitable basis.

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Additional information

The actual results for the year ended 30 September 2021 were as follows:

	Machining	Finishing
Factory overheads	\$265 800	\$187 420
Direct labour hours	6 350	19 260
Machine hours	36 940	9 810

REQUIRED

- (d) Calculate the over-absorption or under-absorption of overheads for **each** department for the year ended 30 September 2021.

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..... [4]

Additional information

The following information is available for one unit of product Aye.

Direct material	\$36.20
Direct labour hours	
Machining (\$8 per hour)	45 minutes
Finishing (\$10 per hour)	60 minutes
Machine hours	
Machining	20 minutes
Finishing	30 minutes

During September 2021, a customer requested a quotation for supplying 200 units of Aye. Hayden required a 30% gross profit margin on the order.

REQUIRED

(e) Prepare a statement to show the **total** selling price that Hayden quoted to the customer.

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