



Cambridge International AS & A Level

CANDIDATE
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ACCOUNTING

9706/21

Paper 2 Fundamentals of Accounting

October/November 2024

1 hour 45 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 **20** pages. Any blank pages are indicated.



- 1 The financial year end of T Limited was 30 June 2024. On that date the following balances were extracted from the books of account.

	Debit \$	Credit \$
8% Bank loan (2024)		54 000
Administrative expenses	131 310	
Bank overdraft		12 380
Cash	240	
Carriage inwards	820	
Distribution costs	114 870	
Finance costs	5 180	
Fixtures and fittings Cost Provision for depreciation at 1 July 2023	16 200	9 560
Inventory at 1 July 2023	93 400	
Land and buildings Cost Provision for depreciation at 1 July 2023	165 000	6 300
Motor vehicles Cost Provision for depreciation at 1 July 2023	82 000	34 590
Purchases	293 780	
Retained earnings		38 450
Revenue		705 100
Share capital		80 000
Trade payables		32 160
Trade receivables	69 740	

The following information is also available.

- On 15 June 2024, goods were delivered and invoiced to a credit customer on a sale or return basis. The goods had a selling price of \$12 000 including a mark-up of 25%.

On 30 June 2024, inventory was counted and valued at cost, \$86 400. On the same date, the customer informed T Limited that he had not yet decided whether to keep the goods.
- Distribution costs include a charge of \$3120 for motor insurance for the year ending 30 November 2024.
- An irrecoverable debt of \$540 is to be written off to administrative expenses.
- The directors have decided to create an allowance for irrecoverable debts of 5% of trade receivables to be charged to administrative expenses.





- 5 Administrative expenses, \$680, are outstanding at 30 June 2024.
- 6 On 30 June 2024, T Limited took out a 5% debenture (2028–2029) of \$45 000. On the same date the company repaid one half of the 8% bank loan (2024) together with the three months' interest outstanding at 30 June 2024. None of these transactions have yet been recorded in the books of account.
- 7 Land and buildings included land at cost, \$60 000. Land is **not** depreciated.
- 8 Depreciation is to be provided as follows:

Non-current asset	Annual rate	Method	Charge to
Fixtures and fittings	10%	Reducing balance	Administrative expenses
Land and buildings	2%	Straight-line	Distribution costs
Motor vehicles	20%	Reducing balance	Distribution costs

- 9 Taxation for the year is estimated to be \$26 000.





- (a) Prepare the statement of profit or loss for the year ended 30 June 2024. Use the space provided on **page 5** to show your workings.

T Limited

Statement of profit or loss for the year ended 30 June 2024

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





Workings:

Cost of sales
Allowance for irrecoverable debts
Depreciation
Distribution costs
Administrative expenses
Finance costs

[15]

(b) Calculate the balance of cash and cash equivalents at 30 June 2024.

.....

.....

.....

.....

..... [4]





- (c) Prepare an extract from the statement of financial position at 30 June 2024 to show the **equity and liabilities section only**.

T Limited

Statement of financial position at 30 June 2024

	\$
Equity	
Total equity	
Liabilities	
Non-current liabilities	
Current liabilities	
Total liabilities	
Total equity and liabilities	

Workings:

[6]



..... [5]

[Turn over



- 2 Deepak maintains a full set of accounting records. The trial balance at 30 September 2024 did not balance and the difference was posted to a suspense account. The sales ledger control account and the purchases ledger control account are part of the double entry system.

The following errors were discovered.

- 1 A cheque received, \$610, from Sanjay, a credit customer, had been dishonoured by the bank but no entry had been made in the books of account.
- 2 Goods returned, \$240, by Kamal, a credit customer, had been credited to the sales ledger control account and debited to the purchases account.
- 3 Goods returned, \$150, to Kohli, a credit supplier, had been correctly entered in both the purchases returns journal and the purchases ledger control account but had been posted to the debit of the sales returns account.
- 4 A credit note, \$498, received from Bharti, a credit supplier, had been correctly entered in the purchases returns journal but had been debited to the purchases ledger control account as \$489.

- (a) Prepare journal entries to correct each error. Narratives are **not** required.

Journal

Error		Debit \$	Credit \$
1			
2			
3			
4			

[9]





- (b) Prepare the suspense account at 30 September 2024 clearly showing the opening balance brought down. Dates are **not** required.

Suspense account

Details	\$	Details	\$

[4]

Additional information

The trial balance included the following balances:

	Debit \$	Credit \$
Purchases ledger control account		8 640
Sales ledger control account	12 420	

- (c) Calculate the revised balances of the:

- (i) Purchases ledger control account

.....
 [1]

- (ii) Sales ledger control account.

.....
 [1]

[Total: 15]





- 3 Clarissa started her business on 1 July 2022, and she is preparing her financial statements for the year ended 30 June 2024.

She depreciates her motor vehicles at 25% per annum using the straight-line method. Depreciation is charged on a monthly basis.

She purchased a motor vehicle on 1 July 2022 costing \$24 000.

She estimated that the motor vehicle would have a useful life of four years with no residual value.

On 30 September 2023 she purchased a new motor vehicle costing \$70 000. The old motor vehicle was part-exchanged at a value of \$14 800. The balance was settled with an interest-free loan repayable in equal monthly instalments over two years. The first loan instalment was due to be paid on 31 October 2023.

She estimated that the new motor vehicle would have a useful life of four years with a residual value of \$16 000.

- (a) Prepare **each** account for the year ended 30 June 2024.

Motor vehicle at cost account

Date	Details	\$	Date	Details	\$





Motor vehicle provision for depreciation account

Date	Details	\$	Date	Details	\$

[8]

(b) (i) Calculate the outstanding balance on the interest-free loan at 30 June 2024.

.....
..... [1]

(ii) State how the interest-free loan would be shown in the statement of financial position at 30 June 2024.

.....
..... [1]





4 Alberto owns a manufacturing business.

(a) Define each term:

(i) cost centre

.....
..... [1]

(ii) cost unit

.....
..... [1]

(iii) direct cost

.....
..... [1]

(iv) indirect cost.

.....
..... [1]





Additional information

Alberto's business operates a system of absorption costing.

There are two production departments, Machining and Finishing, and two service departments, Stores and Canteen.

The budgeted information for the year ended 30 September 2024 is available.

	Production departments		Service departments	
	Machining \$	Finishing \$	Stores \$	Canteen \$
Number of employees	6	10	4	-
Floor area (square metres)	3 000	5 000	1 500	500
Stores requisitions	3 600	5 400	—	—
Direct labour hours	14 300	18 500	—	—
Machine hours	28 900	3 600	—	—

The following indirect overheads have **not** yet been apportioned.

	\$
Light and heat	12 800
Production supervisors' wages	42 000

(b) Complete the table to apportion costs to the production departments.

	Total \$	Production departments		Service departments	
		Machining \$	Finishing \$	Stores \$	Canteen \$
Allocated overheads	512 100	195 200	234 700	66 400	15 800
Light and heat	12 800				
Production supervisors' wages	42 000				
Total overheads	566 900				
Reapportion Canteen					
Reapportion Stores					

[6]





[2]

The actual results for the year ended 30 September 2024 were as follows:

[4]



Additional information

Alberto has been asked to prepare a quotation for a new customer to supply 12 units of a product.

Each unit would require the following:

Direct material	4 metres at \$3.85 per metre
Direct labour	Machining department – 0.75 hours
	Finishing department – 1.5 hours
Overheads Machining department	0.5 direct labour hours 0.5 machine hours
Overheads Finishing department	1 direct labour hour 0.75 machine hours

The budgeted hours for the year ending 30 September 2025 will remain unchanged from the previous year. The **total** direct labour budget for the year is as follows:

	\$
Machining department	127 270
Finishing department	183 150

Alberto wishes to achieve a gross margin of 40% on the work.

(e) (i) Calculate the budgeted hourly direct labour rate for **each** department.

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.....

..... [2]





- (ii) Prepare a statement to show the **total** selling price that Alberto should quote the customer.

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..... [7]





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