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

ACCOUNTING 9706/02

Paper 2 Structured Questions

October/November 2005

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 in the spaces provided on the Question Paper. You may use a soft pencil for rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer all questions.

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. You may use a calculator.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

For Exam	iner's Use
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Total	

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

www.PapaCambridge.com The following balances had been extracted from the books of O'Riley and Co 1 1 May 2004.

	\$
Premises at cost	520 000
Equipment at cost	200 000
Provision for depreciation on premises	104 000
Provision for depreciation on equipment	128 000
Stock	75 000
Debtors	50 000
Creditors	41 000
Provision for doubtful debts	1 000
Dividends due	16 800
Issued and fully paid-up capital	
Ordinary shares of \$0.50 each	150 000
6% Preference shares of \$1 each	80 000
5% debentures 2010	100 000
8% loan repayable 2008	25 000
Share premium	80 000
General reserve	75 000
Retained profit	87 200
Bank	?

(a)	Calculate the bank balance at 1 May 2004.
	[1]

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The following transactions took place during the year ended 30 April 2005:

	\$
Purchases	380 000
Sales	605 000
Returns outwards	10 000
Returns inwards	15 000
Wages	80 000
Other expenses	60 000

Balances on 30 April 2005 were as follows:

	\$
Debtors	60 000
Creditors	43 000
Accrued wages	2000
Prepaid expenses	3 300
Stock	85 000
Bank	113 200

Additional information

- 1 It was decided that debts of \$3000 should be written off as bad.
- 2 Loan and debenture interest for the year were paid in full on 30 April 2005.
- 3 The provision for doubtful debts was to be 2.5% of debtors.
- 4 Depreciation on premises was 2% straight line.
- 5 Depreciation on equipment was 40% reducing (diminishing) balance.
- 6 During the year a further 40 000 ordinary shares were issued at a premium of \$0.05.

The directors proposed the following:

8% dividend to be paid on all ordinary shares in issue at the year end.

The preference dividend to be paid in full.

\$20 000 to be transferred to the General Reserve.

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RE(QUIRED
	AMA
(b)	QUIRED Prepare O'Riley and Co plc's Trading, Profit and Loss and Appropriation account for the year ended 30 April 2005.

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(c)	Prepare the Balance Sheet at 30 April 2005.

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(d)	Explain share premium and state how it may be used.	
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[Total: 30]

2 The following is the Receipts and Payments account of the Outerspace Sports and Club for the year ended 31 October 2005.

	\$		\$
Balance b/fwd	5 950	Clubhouse	65 000
Subscriptions	17 600	Equipment	7 400
Restaurant sales	62 100	Wages	23 400
Loans from members	60 000	Equipment repairs	4 320
		Restaurant supplies	35 500
		Annual dance	3750
		General expenses	5 420
		Balance c/fwd	860
	<u>145 650</u>		<u>145 650</u>

Additional information

	31 October	31 October
	2004	2005
	\$	\$
Subscriptions in arrears	550	650
Subscriptions in advance	100	450
Restaurant stock	6 3 9 0	7 520
Restaurant creditors	4 235	4 785
Annual dance costs owing	50	125
Clubhouse at cost		65 000
Equipment at cost	8 000	15 400
Loan from members		60000
Provision for depreciation on equipment	2000	?

(a)	Calculate the Club's accumulated fund at 1 November 2004.

www.PapaCambridge.com The original equipment was purchased on 1 November 2003, the date the club open Depreciation is charged at 2% straight-line on the clubhouse and 25% reducing balance equipment. Depreciation is charged for a complete year in the year of purchase. Repairs were to original equipment.

All subscriptions owing in the year ended 31 October 2004 were paid during the year ended 31 October 2005.

Interest on the loan from members, which was received on 1 November 2004, is payable at the rate of 5% per annum.

\$2200 of the new equipment is for use in the restaurant.

The general expenses include \$2100 which should be charged to the restaurant. One third of the wages are paid to restaurant staff.

REQUIRED

(b)

Prepare the restaurant Trading account for the year ended 31 October 2005.

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(c)	Prepare the club's Income and Expenditure account for the year ended 31 2005.	Use By
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Question 3 is on the next page

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www.PapaCambridge.com 3 Gerry Hatrick Ltd manufactures and sells video cameras. The unit selling price and procosts are as follows:

Selling price	\$ <u>800</u>
Direct materials Direct labour	100 90
Variable overheads	50
Fixed overheads	<u>160</u>

The fixed production overheads assume a monthly production of 2000 units.

The following monthly costs are also incurred:

Fixed administrative overheads \$80 000

Variable sales overheads 10% of sales value

Fixed sales overheads \$120 000

During the month of September 2005 a total of 2400 units were produced, of which 1800 were sold. There was no stock on hand at the beginning of September.

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		pare profit statements for September 2005 using Absorption costing Marginal costing
RE	QUIR	ED
(a)	Pre	pare profit statements for September 2005 using
	(i)	Absorption costing
	(ii)	Marginal costing
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