



Cambridge International Examinations

Cambridge International AS & A Level	Cambridge International Examinations Cambridge International Advanced Subsidiary and Advanced Level
NAME	
CENTRE NUMBER	CANDIDATE NUMBER

9706/02 **ACCOUNTING**

Paper 2 Structured Questions

SPECIMEN PAPER

For Examination from 2016

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 any diagrams, graphs or rough working.

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

DO NOT WRITE IN ANY BARCODES.

Answer all questions.

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 17 printed pages and 1 blank page.



Answer **all** the questions.

1 Ali operates a small trading business.

www.papaCambridge.com For the year ended 31 December 2014 he provides the following information:

Gross profit margin	54%
Profit margin	18%
Current ratio	1.6:1
Trade receivables turnover	40 days
Return on capital employed	5.4%
Cost of sales	\$248400
Closing inventory	\$38 000
Cash and cash equivalents	\$30308
Long-term loan	\$1000000

(a	1)	Prepare	for	Ali's	business	in a	as much	detail	as	possible:
----	----	---------	-----	-------	----------	------	---------	--------	----	-----------

(i)	the income statement for the year ended 31 December 2014
	[5]

(ii)	the statement of financial position at 31 December 2014.

[6]

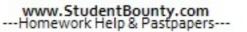
Note: Calculations should be to the nearest \$ where appropriate.

www.PapaCambridge.com (b) State two advantages and two disadvantages of ratio analysis.

www.PapaCambridge.com For the year ended 31 December 2013 Ali has calculated the following ratios:

Current ratio	1.3 : 1
Trade receivables turnover	30 days
Gross profit margin	48%
Profit margin	12%

(c)	Assess the performance of the business in respect of liquidity and profitability.
	[7]
Add	ditional information
	maintains a full set of accounting records, including a sales ledger and a sales ledger control ount. All sales are on credit.
RE	QUIRED
(d)	State one advantage of maintaining a sales ledger control account.
	[1]



www.PapaCambridge.com At 31 January 2015 the balance on the sales ledger control account was \$64850 investigation the following errors were discovered.

- The total of the discount allowed column in the cash book had been overstated by \$200.
- (ii) A receipt of \$800 from Siri, a customer, had been treated as a refund from Sally, a supplier.
- (iii) The total of the sales journal for January had been undercast by \$500.
- (iv) An invoice for \$950 sent to Bernie had been entered in the sales journal as \$590.
- (v) Goods with a selling price of \$760 had been invoiced to Janine. The goods were sent on a sale or return basis. Janine had not indicated whether or not she intended to buy them.
- (vi) An invoice for \$280 sent to Ken had been correctly entered in the sales journal but had been entered in Ken's account as \$208.

REQUIRED

ng the
[7]

[Total: 30]

2 Businesses depreciate their non-current assets.

	my
	7
Bus	sinesses depreciate their non-current assets.
RE	QUIRED
(a)	sinesses depreciate their non-current assets. QUIRED State two reasons why a business depreciates its non-current assets.
	[2]
(b)	Explain with examples why a business uses different rates of depreciation for different types of assets.
	[3]

www.PapaCambridge.com Annette runs a trading business. Her trading year end is 30 June. She provided the for information relating to her non-current assets at 30 June 2014.

	Plant and machinery \$	Motor vehicles \$
Cost	500 000	300 000
Accumulated depreciation	200 000	100 000

During the year ended 30 June 2014 she provided depreciation of \$50 000 on motor vehicles.

Her accounting policy is to depreciate non-current assets as follows:

Plant and machinery at 10% per annum using the straight-line basis Motor vehicles using the reducing balance basis A full year's depreciation is charged in the year of purchase No depreciation is charged in the year of disposal

During the year ended 30 June 2015 Annette purchased new machinery at a cost of \$180 000. She sold some old equipment for \$38000. This had cost \$40000 and had been purchased on 1 January 2013.

REQUIRED

	QUIRED Calculate the depreciation charge for the year ended 30 June 2015 in respect of the and machinery.
RE	QUIRED
(c)	Calculate the depreciation charge for the year ended 30 June 2015 in respect of the and machinery.
	[3]
(d)	Calculate the rate of depreciation used by Annette for motor vehicles.
	[4]
Add	ditional information:
	nette is thinking of changing the method of depreciation each year in order to show the highest fit possible.
RE	QUIRED
(e)	Advise Annette whether or not she should do this, giving two reasons for your answer.
	[3]

[Total: 15]

www.PapaCambridge.com Ben, Stan and Dan have been in partnership for many years sharing profits and los 3 Their summarised statement of financial position at 31 March 2015 is as follows:

	\$	\$
Assets		
Non-current assets		300 000
Current assets		140 000 440 000
Capital accounts		
Ben	140 000	
Dan	140 000	
Stan	<u>140 000</u>	420 000
Current accounts		
Ben	12000	
Dan	14 000	
Stan	(6000)	20000
		440 000

On 1 April 2015 Stan retired from the partnership. Ben and Dan will share profits and losses equally.

The terms of Stan's retirement were as follows:

- Goodwill was valued at \$36000. No goodwill account is to appear in the books of account.
- Stan will take a motor vehicle in part settlement of the amount due to him. This was valued in 2 the books at \$10,000. However, the partners agreed that it was only worth \$7000.
- 3 The remaining non-current assets were revalued at \$320 000.

All of these adjustments were recorded in the books of account on 1 April 2015.

	QUIRED State two reasons why a partner's current account may have a debit balance.
REG	QUIRED
(a)	State two reasons why a partner's current account may have a debit balance.
	[2]
(b)	Explain why a partner's capital account is credited with goodwill and any revaluation of assets when they retire.
	[3]
(c)	Prepare the revaluation account for the partnership.
	[3]

(d)	Prepare the capital accounts of Ben and Dan.
	[3]
(e)	Calculate the amount paid to Stan from the partnership bank account.

[Total: 15]

Janty operates a small manufacturing business making a single product, product Aye

has	s two production cost centres a	and no service	cost centres.		Mbri
RE	QUIRED				
(a)	Explain what is meant by a co	ost centre.			•
					[2]
Ad	ditional information				
	nty calculates an overhead abs n uses this to charge overhead		or each cost cer	ntre based on bud	lgeted data. She
De	tails of the budgeted informati	on are:			
		Cost centre	Cost centre 2		
	Overheads	\$100000	\$180 000		
	Direct labour hours Machine hours	10 000 2 000	3 600 45 000		
DE	QUIRED	2000	10 000		
(b)	Calculate a suitable overhead	d absorption ra	ite for each cost	centre.	

during the year white the company of the sear white the company of the company of

Additional information

The actual overheads incurred and hours worked for each cost centre during the year follows:

	Cost centre	Cost centre
	1	2
Actual overheads	\$105000	\$172000
Actual direct labour hours	10 100	4000
Actual machine hours	2400	47 000

;)	Calculate the over absorption or under absorption of overheads for each department for the year.
	[4

www.PapaCambridge.com Simon, a new customer, asks Janty to quote for an order of 500 units of product A following information is available in respect of their manufacture.

Direct material 50 kilos at \$2 per kilo 5 hours at \$12 per hour Direct labour - cost centre 1 2 hours at \$15 per hour cost centre 2

Machine hours cost centre 2 only 6 hours

Janty marks up the cost of an order by 100% to calculate the selling price for a quote.

` ,	Prepare a quote in as much detail as possible to show the total selling price.
	81

			the.	
	16		3.0	
ditional information			ASC A	1
mon offers to pay Janty \$350 for I capacity.	the order. At the p	present time the fa	actory is not open	Brig
EQUIRED				
Recommend with reasons whether	her Janty should a	ccept Simon's ord	er.	
				[4]
dditional information	ia faatam, manufaa	turaa tuva mradust	a Bas and Cas Sha	hoo
inty operates a second factory. The ovided you with the following actu				Has
	Bee	Cee	Total	
Sales units	Bee 5000	Cee 8 000	Total	
	5 000 \$	8 000 \$	\$	
Revenue Variable costs	5 000 \$ 75 000 (50 000)	8 000 \$ 96 000 (62 000)	\$ 171 000 (112 000)	
Revenue	5 000 \$ 75 000	8 000 \$ 96 000	\$ 171 000	
Revenue Variable costs Allocated fixed overheads Profit for the year	5 000 \$ 75 000 (50 000) (<u>22 000</u>)	8 000 \$ 96 000 (62 000) (<u>12 000</u>)	\$ 171000 (112000) (34000)	
Revenue Variable costs Allocated fixed overheads Profit for the year EQUIRED	5 000 \$ 75 000 (50 000) (22 000) 3 000	8 000 \$ 96 000 (62 000) (<u>12 000</u>)	\$ 171000 (112000) (34000)	
Revenue Variable costs Allocated fixed overheads Profit for the year	5 000 \$ 75 000 (50 000) (22 000) 3 000	8 000 \$ 96 000 (62 000) (<u>12 000</u>)	\$ 171000 (112000) (34000)	
Revenue Variable costs Allocated fixed overheads Profit for the year EQUIRED	5 000 \$ 75 000 (50 000) (22 000) 3 000	8 000 \$ 96 000 (62 000) (<u>12 000</u>)	\$ 171000 (112000) (34000)	
Revenue Variable costs Allocated fixed overheads Profit for the year	5 000 \$ 75 000 (50 000) (22 000) 3 000	8 000 \$ 96 000 (62 000) (<u>12 000</u>)	\$ 171000 (112000) (34000)	
Revenue Variable costs Allocated fixed overheads Profit for the year	5 000 \$ 75 000 (50 000) (22 000) 3 000	8 000 \$ 96 000 (62 000) (<u>12 000</u>)	\$ 171000 (112000) (34000)	

www.PapaCambridge.com

Additional information

Janty is considering stopping the production of Bee because of its low profitability.

REQUIRED

(g)	Recommend with reasons whether Janty should stop making product Bee.
	[4]

[Total: 30]

18

BLANK PAGE

www.PapaCambridge.com

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.