



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

CANDIDATE
 NAME

CENTRE
 NUMBER

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ACCOUNTING

9706/22

Paper 2 Structured Questions

May/June 2010

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 a soft pencil for rough working.
- Do not use staples, paper clips, highlighters, glue or correction fluid.
- DO NOT WRITE IN ANY BARCODES.**

- Answer **all** questions.
- All accounting statements are to be presented in good style.
- 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.

| For Examiner's Use | |
|--------------------|--|
| 1 | |
| 2 | |
| 3 | |
| Total | |

This document consists of **12** printed pages.



- 1 The following trial balance was extracted from Hickory's books of account at 30 April 2010.

For
Examiner's
Use

| | Dr \$000 | Cr \$000 |
|--|-------------|-------------|
| Revenue (sales) | | 5684 |
| Raw materials purchased | 2628 | |
| Trade receivables (debtors) | 480 | |
| Provision for doubtful debts | | 16 |
| Trade payables (creditors) | | 426 |
| Factory non-current (fixed) assets at cost | 2800 | |
| Office non-current (fixed) assets at cost | 952 | |
| Accumulated depreciation at 1 May 2009 | | |
| Factory non-current (fixed) assets | | 1100 |
| Office non-current (fixed) assets | | 380 |
| Bank | | 290 |
| Bank charges | 12 | |
| Bank interest | 38 | |
| Factory expenses | 432 | |
| Manufacturing wages | 548 | |
| Office expenses | 348 | |
| Office salaries | 194 | |
| Sales expenses | 248 | |
| Rent | | 48 |
| Inventory (stocks) at 1 May 2009 | | |
| Raw materials | 164 | |
| Finished goods | 292 | |
| Work in progress | 146 | |
| Capital | | 1338 |
| | <u>9282</u> | <u>9282</u> |

Additional information:

- 1 Inventory (stocks) at 30 April 2010

| | |
|------------------|-----------|
| Raw materials | \$202 000 |
| Finished goods | \$252 000 |
| Work in progress | \$128 000 |
- 2 All depreciation for the year is to be 25% on cost.
- 3 \$28 000 which had been charged to manufacturing wages should have been charged to office salaries.
- 4 Bad debts of \$14 000 are to be written off.
- 5 The provision for doubtful debts is to be reduced by \$6000.

REQUIRED

*For
Examiner's
Use*

(a) Prepare Hickory’s manufacturing account for the year ended 30 April 2010.

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- 2 Depreciation may be thought of as the difference between the cost of an asset and the amount received from it on disposal.

The following extract from the schedule of non-current (fixed) assets applies to the year ended 30 April 2009.

| Non-current (fixed) assets | Machinery | Motor vehicles |
|---------------------------------|--------------|----------------|
| | \$000 | \$000 |
| Cost at 1 May 2008 | 4200 | 3200 |
| Additions during year | 1200 | 800 |
| Disposals during year | <u>(700)</u> | <u>(1000)</u> |
| Cost at 30 April 2009 | <u>4700</u> | <u>3000</u> |
| Depreciation at 1 May 2008 | 1560 | 840 |
| Add charge for year | 470 | 750 |
| Less disposals for year | <u>(520)</u> | <u>(800)</u> |
| Depreciation at 30 April 2009 | <u>1510</u> | <u>790</u> |
| Net book value at 30 April 2009 | 3190 | 2210 |

During the year ended 30 April 2010 the following took place:

- 1 New machinery costing \$900 000 was purchased on 1 November 2009. Machinery, which had cost \$400 000 on 1 July 2005, was sold for \$200 000 in December 2009.
- 2 Three new motor vehicles were purchased on 1 April 2010 for \$280 000 **each**. Two motor vehicles, which had been purchased on 1 March 2007, for \$200 000 **each**, were taken in part-exchange. The part-exchange allowance for **each** vehicle was \$60 000.
- 3 One vehicle which had been purchased for \$360 000 on 31 January 2009 was involved in an accident on 2 December 2009. The insurance company decided that it could not be repaired and gave compensation of \$210 000.

Depreciation is charged for the full year on all non-current (fixed) assets held at the year-end, using the straight-line method.

No depreciation is charged on a non-current (fixed) asset in the year of disposal.

Rates of depreciation have remained constant since the business began trading.

REQUIRED

*For
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Use*

(a) (i) Calculate the profits or losses on disposals during the year ended 30 April 2010.

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(b) (i) State **three** causes of depreciation.

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(ii) Give an example of a non-current (fixed) asset for which **each** cause given in (b)(i) above might be appropriate.

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(c) State **four** factors which must be taken into account when deciding how much depreciation to charge.

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[Total: 30]

3 Break-even analysis has been described as a useful tool for the accountant.

For
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Use

REQUIRED

(a) (i) Define the break-even point.

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(ii) Define the margin of safety.

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The following figures have been extracted from Katerina's books of account for the month of April 2010:

| | | |
|----------------------|---------------|----------------------|
| Sales | \$ | \$ |
| Total variable costs | 299 000 | 460 000 |
| Total fixed costs | <u>90 000</u> | <u>389 000</u> |
| Profit | | <u><u>71 000</u></u> |

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*For
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Use*

(b) Calculate Katerina's contribution as a percentage of sales (c/s ratio).

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(c) Calculate Katerina's break-even point.

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(d) Calculate the sales in dollars necessary to make a profit of \$100 000.

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(e) Calculate the profit or loss if sales for the month are \$375 000.

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(f) If the original sales prices are reduced by 5% but costs do not change, calculate the value of sales needed to achieve a profit of \$80 000.

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[Total: 30]

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