

## Location Entry Codes

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As part of CIE's continual commitment to maintaining best practice in assessment, CIE uses different variants of some question papers for our most popular assessments with large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions is unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiners' Reports that are available.

Question Paper	Mark Scheme	Principal Examiner's Report
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

### Who can I contact for further information on these changes?

Please direct any questions about this to CIE's Customer Services team at:

[international@cie.org.uk](mailto:international@cie.org.uk)

The titles for the variant items should correspond with the table above, so that at the top of the first page of the relevant part of the document and on the header, it has the words:

- First variant Question Paper / Mark Scheme / Principal Examiner's Report

or

- Second variant Question Paper / Mark Scheme / Principal Examiner's Report

as appropriate.



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

CANDIDATE  
NAME

CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ACCOUNTING**

**9706/21**

Paper 2 Structured Questions

**May/June 2009**

**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	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>Total</b>	

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



- 1 Suhail is a sole trader who provides the following information.

Suhail's assets and liabilities, other than bank, were as follows:

	1 April 2008	31 March 2009
	\$	\$
Premises at cost	200 000	200 000
Fixtures at book value	24 000	18 000
Vehicles at book value	30 000	22 500
Stock	82 150	76 500
Debtors	66 340	60 870
Cash	510	510
Creditors	64 300	71 200

There were no purchases or sales of fixed assets during the year ended 31 March 2009.

A summary of Suhail's bank statement for the year ended 31 March 2009 is shown below.

	Dr	Cr	Balance
	\$	\$	\$
Bank balance at 1 April 2008			61 000 overdrawn
Receipts from debtors		841 030	780 030
Payments to creditors	605 190		174 840
Rent and rates	12 590		162 250
Electricity	17 145		145 105
Advertising	19 325		125 780
Wages	65 100		60 680
Sales commission paid	14 250		46 430
Drawings	28 500		17 930

Suhail's creditors had allowed him discount of \$19 000 during the year.

All purchases and sales are on credit.





Suhail's capital at 1 April 2007 was \$250 000.

The following were Suhail's trading figures for the year ended 31 March 2008:

	\$
Sales	820 000
Gross profit	161 000
Expenses other than depreciation	102 000
Drawings	22 000

Depreciation was provided for as follows:

- Fixtures, 20% straight line
- Vehicles, 25% reducing balance.

**REQUIRED**

(c) In order to compare Suhail's performance between the years ended 31 March 2008 and 31 March 2009, calculate, to **two** decimal places:

(i) **two** profitability ratios;

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(ii) **two** liquidity ratios.

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For  
Examiner's  
Use

(iii) Using the ratios calculated in (c)(i) and (ii), comment **briefly** on Suhail's performance over the two years.

*For  
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**[Total: 30]**

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**Question 2 is on the next page.**



- 2 A During the year ended 31 March 2007 Jeremiah lost money through customers not paying the amounts due to him. On 1 April 2007 he set up a provision for doubtful debts account.

**REQUIRED**

- (a) (i) Give **one** reason why Jeremiah decided to set up this account.

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- (ii) Describe **two** factors Jeremiah might consider when deciding the amount to be provided for in the provision for doubtful debts account.

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- (iii) Explain the difference between the accounting treatment of a bad debt and a doubtful debt.

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On 1 April 2008, Jeremiah’s provision for doubtful debts account had a balance of \$8000. This consisted of an anticipated loss of \$2500 which was the total owed by a debtor, Uriah, who had been declared bankrupt, and a general provision of \$5500, which was 2½ % of **all** of his debtors.

On 31 May 2008 Liew, who owed Jeremiah \$1200, paid Jeremiah only \$0.40 for every dollar owed. The remainder was written off as a bad debt.

On 30 June 2008, Uriah paid Jeremiah \$0.35 for every dollar owed, in **final** settlement of his account.

On 28 February 2009 Jeremiah wrote off \$300 of overdue debts from various debtors.

On 31 March 2009 Jeremiah’s total debtors amounted to \$205 000 and he adjusted his provision for doubtful debts account to 3 % of that amount.

**REQUIRED**

*For  
Examiner's  
Use*

**(b)** Prepare in Jeremiah's ledgers the following accounts for the year ended 31 March 2009.

**(i)** Provision for doubtful debts account;

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**(ii)** Bad debts account.

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On 31 March 2009 Khalil, whose debt of \$3000 had been written off in 2007, after he unexpectedly left the country, returned and paid the amount due.

**REQUIRED**

**(iii)** Prepare in Jeremiah's ledgers the bad debts recovered account for the year ended 31 March 2009.

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**B** Lari, a retailer whose financial year ends on 31 May, failed to check his stock until 8 June in 2009. At that date his stock at cost was valued at \$72 200. Lari's mark-up is 30 % on cost.

During the first 8 days of June, the following transactions took place:

	\$
(i) Purchases of goods for resale	21 200
(ii) Purchases returns	510
(iii) Sales	25 740
(iv) Sales returns (at selling price)	273
(v) Goods taken for personal use, at cost	700

After taking stock, Lari discovered that the following items had been included in the valuation at 8 June:

- (vi) A parcel of stock which had been water-damaged. This had been on sale for \$390 but was now worthless.
- (vii) Stock which had cost \$1200 but was now out of fashion and would have to be sold for \$400 less than cost.
- (viii) Goods costing \$950 which Lari had acquired on a sale or return basis. He had not decided whether or not to keep them.
- (ix) Goods, sold during May for \$1560, which were awaiting collection by a customer.

**REQUIRED**

**(a)** Explain the difference between mark-up and margin.

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(b) Prepare a statement to calculate the correct value of stock at cost at 31 May 2009. Begin your calculation with the original stock valuation of \$72 200. Show **all** workings.

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**[Total 30]**

- 3 Gala Sounds Ltd manufactures DVD players which sell for \$80 each. Production is 150 000 units per annum, all of which are sold.

Unit costs at that level of production are:

	\$
Direct materials	40
Direct labour	8
Variable overheads	10
Fixed overheads	11

### REQUIRED

- (a) Calculate one year's **total** profit or loss.

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The sales manager believes that if the selling price could be reduced to \$75 per unit, an additional 50 000 units would be sold.

The existing production of 150 000 units is based on a single day shift working a full day without overtime. The sales manager believes that an evening shift might also be introduced, using one-third of the number of workers employed on the day shift. This would mean that an annual total of 200 000 units could be produced.

As a result of the changes, the following would take place:

- 1 To compensate for unsocial hours, evening shift workers will be paid an additional \$2 per unit.
- 2 Variable overheads for the evening shift increase by 10%.
- 3 Economies of scale mean that a discount of 15 % will be received on purchase of **all** direct materials.
- 4 Fixed costs increase by \$1 000 000.

All production will continue to be sold.



Other factors need to be taken into consideration before introducing a new shift system.

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**REQUIRED**

(c) Discuss, briefly, **three** of these factors.

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**[Total: 30]**





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CANDIDATE NAME

CENTRE NUMBER

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**9706/22**

Paper 2 Structured Questions

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**[Total: 30]**

3 Alberta Limited produces one product, plates, for which the following information is available.

	\$ per unit
Selling price	12.00
Direct materials	5.00
Direct labour	2.80
Variable overheads	2.20
Total fixed costs (per annum)	\$240 000
Sales per annum (units)	400 000

**REQUIRED**

(a) Using the information above, calculate the following:

(i) break-even point in units **and** sales value;

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(ii) profit for one year, clearly showing the contribution per unit;

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(iii) margin of safety in units **and** as a percentage of sales.

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Alberta Limited is now considering extending the product range by adding two products, cups and saucers. The fixed costs would double to \$480 000 if **any** new product was introduced.

For  
Examiner's  
Use

The following information is available for the additional products.

	Cups	Saucers
	\$ per unit	\$ per unit
Selling price	18.00	26.00
Direct materials	7.20	14.00
Direct labour	4.80	4.20
Variable overheads	3.00	1.80
Sales per annum (units)	100 000	60 000

The current workforce is operating at full capacity in the production of the plates. There is, however, machine capacity available to undertake the production of both cups and saucers.

Alberta Limited extended their product range by adding both products.

**REQUIRED**

(b) Calculate the maximum profit for one year that Alberta Limited could achieve if it was to produce plates, cups and saucers. Show the contribution **per unit** and **total** contribution for **each** product.

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(c) Explain the implications for the local community if Alberta Limited decides to extend its product range.

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[Total: 30]





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