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

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER					

6305519055

ACCOUNTING **9706/21**

Paper 2 Structured Questions **May/June 2011**

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.
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.

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Total	

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1 Henry and Robin are in partnership with capitals of $120 000 and $80 000 respectively.

On 1 June 2010 Henry had a debit balance on his current account of $6 600 and Robin had a credit balance on his current account of $1 000.

On 31 May 2011 Henry had a credit balance on his current account of $10 400.

The partnership agreement stated:

1 Interest on capital is payable at 8% per annum.

2 The maximum drawings permitted in any one year is 10% of capital invested.

3 Interest on drawings is charged at 5% on total drawings for the year.

4 Annual partnership salaries were Henry: $5 000 and Robin: $4 000.

5 Profits and losses are to be shared in the ratio of capital invested.

Both partners withdrew the maximum amount permitted during the year.

REQUIRED

(a) Prepare the current account of each partner for the year ended 31 May 2011.

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(b) Calculate the profit for the year (net profit) made by the partnership for the year ended 31 May 2011.

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(c) Before forming a partnership both Henry and Robin were sole traders.

State **four** advantages of a partnership compared to a sole trader.

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2 The Welcome Cricket Club has the following assets and liabilities.

	30 April 2011	1 May 2010
	$	$
Equipment (at cost)	104 000	40 000
Equipment – depreciation provision	14 400	4 000
Café inventory	4 800	6 500
Cash at bank	?	12 800
Subscriptions outstanding	3 600	2 200
Subscriptions paid in advance	3 500	5 000
Café staff wages accrued	4 000	500
Loan from cricket association	20 000	–
Loan interest	?	–

The receipts and payments for the year ended 30 April 2011 are:

Receipts	$
Café revenue (sales)	90 000
Subscriptions	34 000
Loan from cricket association	20 000
Donations	450
Ticket sales	14 560

Payments	$
Equipment	64 000
Rent	21 000
Heating and lighting	18 000
Wages of café staff	28 800
Café purchases for resale	36 000

Additional information:

1 Wages are a direct cost of the café and are charged to the trading account.

2 The rent and heating and lighting are apportioned 40% to the café and 60% to the rest of the club.

3 The loan from the cricket association was received on 1 November 2010. Interest is payable at 10% per year.

4 Depreciation is charged to the income and expenditure account.

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REQUIRED

(a) Prepare the café income statement to show the gross profit and the profit for the year (net profit) made by the café during the year ended 30 April 2011.

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(b) Prepare the income and expenditure account of the Welcome Cricket Club for the year ended 30 April 2011.

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(c) Prepare the balance sheet of the Welcome Cricket Club at 30 April 2011.

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3 Largos Ltd produces three types of security camera – Ojo 1, Ojo 2 and Ojo 3.

The following forecast data is available for the year ended 30 June 2012.

	Ojo 1	Ojo 2	Ojo 3
Forecast demand (units)	1 000	700	400
Selling price (per unit)	$400	$450	$550
Costs (per unit)			
Raw materials	$150	$170	$241
Direct labour	$100	$150	$175
Variable overheads	$50	$60	$70
Fixed overheads	$50	$60	$60

Labour is highly skilled and may be used to produce any of the three types of security camera.

REQUIRED

(a) Prepare a statement to show the forecast contribution and profit or loss made by one unit of each type of camera produced.

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(b) Prepare a statement to show the forecast **total** contribution **and** profit/loss made by **each** product for the year ended 30 June 2012.

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(c) If the forecast output is produced, calculate the break-even point and the margin of safety in units for **each** product. Show your workings.

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Largos Ltd also operates a factory which manufactures and sells underwater cameras.

The following details **per unit** are available for the quarter ended 30 April 2011.

	$
Sales price	700
Variable costs	400
Fixed production overhead	100

Fixed production overhead is absorbed on forecast production of 40 cameras per month.

Actual production and sales (units)

	February	March	April
Sales	30	40	45
Inventory at start of month	10	0	5
Inventory at end of month	0	5	10

REQUIRED

(d) Prepare an income statement to show the profit or loss in **each** month using marginal costing.

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(e) Prepare an income statement to show the profit or loss in **each** month using absorption costing.

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