



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

CANDIDATE  
NAME

CENTRE  
NUMBER

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**ACCOUNTING**

**9706/21**

Paper 2 Structured Questions

**October/November 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                  |  |
| <b>Total</b>       |  |

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

1 On 1 January 2009 Clara Coyle, a sole trader, had the following balances:

|                                        |         |
|----------------------------------------|---------|
|                                        | \$      |
| Inventory (stock)                      | 24 170  |
| Premises                               | 60 000  |
| Fittings and fixtures (net book value) | 28 000  |
| Cash and cash equivalents (bank)       | 4 000   |
| Rates repaid                           | 440     |
| Trade receivables (debtors)            | 3 810   |
| Trade payables (creditors)             | 3 420   |
| Capital                                | 117 000 |

There was no opening cash or cash equivalent.

Full accounting records were not kept, but the following information was available for the year ended 31 December 2009.

|                                                |         |
|------------------------------------------------|---------|
| Bank Account Receipts                          | \$      |
| Loan from uncle (interest free)                | 10 000  |
| Receipts from trade receivables (debtors)      | 163 100 |
| Cash sales paid into bank                      | 34 000  |
| Bank Account Payments                          |         |
| Payments to trade payables (creditors)         | 141 508 |
| Ordinary goods purchased (purchases) by cheque | 6 300   |
| Rates                                          | 2 600   |
| Drawings                                       | 3 650   |
| General expenses                               | 4 410   |
| Wages                                          | 21 300  |
| Cash payments from cash sales                  |         |
| General expenses                               | 2 680   |
| Purchases                                      | 1 200   |
| Balances as at 31 December 2009                |         |
| Trade receivables (debtors)                    | 4 100   |
| Trade payables (creditors)                     | 11 850  |
| Rates prepaid                                  | 240     |
| General expenses owing                         | 400     |
| Wages owing                                    | 1 620   |
| Cash and cash equivalents (cash)               | 515     |
| Bank                                           | ?       |

Additional information:

- 1 The selling price on all goods is based on cost plus 25%.
- 2 During the year Clara Coyle withdrew goods, costing \$140, from the business, for her own use.
- 3 The business allowed discounts, \$1 300, to its trade receivables (debtors).
- 4 The business received discounts, \$1 600, from its trade payables (creditors).
- 5 No additions or disposals of non-current (fixed) assets took place during the year.

Depreciation of \$3 000 is to be provided on fixtures and fittings.

Premises are not depreciated.







- 2 The following information is given about the Schubert Music Club.

Schubert Music Club  
Balance Sheet at 31 December 2008

|                                              | Cost<br>\$    | Depreciation<br>\$ | Net Book Value<br>\$ |
|----------------------------------------------|---------------|--------------------|----------------------|
| <b>Non-current (Fixed) Assets</b>            |               |                    |                      |
| Clubhouse                                    | 50 000        | 10 000             | 40 000               |
| Instruments                                  | <u>6 000</u>  | <u>5 000</u>       | <u>1 000</u>         |
|                                              | <u>56 000</u> | <u>15 000</u>      | 41 000               |
| <b>Current Assets</b>                        |               |                    |                      |
| Inventory (stock) of cafe supplies           |               | 4 000              |                      |
| Subscriptions in arrears                     |               | 400                |                      |
| Cash and cash equivalents (bank)             |               | <u>2 100</u>       |                      |
|                                              |               | 6 500              |                      |
| <b>Current Liabilities</b>                   |               |                    |                      |
| Trade payables (creditors) for cafe supplies | 3 000         |                    |                      |
| Cafe expenses owing                          | 1 200         |                    |                      |
| Subscriptions in advance                     | <u>300</u>    |                    |                      |
|                                              |               | <u>4 500</u>       | <u>2 000</u>         |
|                                              |               |                    | <u>43 000</u>        |
| <b>Accumulated fund</b>                      |               |                    | 41 000               |
| Life subscriptions                           |               |                    | <u>2 000</u>         |
|                                              |               |                    | <u>43 000</u>        |

Schubert Music Club  
Receipts and Payments Account for the year ended 31 December 2009

|                      | \$            |                    | \$            |
|----------------------|---------------|--------------------|---------------|
| Balance b/d          | 2 100         | Suppliers for cafe | 8 400         |
| Subscriptions – 2008 | 300           | Cafe expenses      | 4 200         |
| Subscriptions – 2009 | 2 200         | Wages – cafe staff | 5 000         |
| Life subscriptions   | 4 000         | Clubhouse repairs  | 6 000         |
| Cafe takings         | 18 500        | Sundries           | 2 500         |
|                      |               | Balance c/d        | <u>1 000</u>  |
|                      | <u>27 100</u> |                    | <u>27 100</u> |

Additional information at 31 December 2009

- 1 Inventory (stock) for the cafe was \$2 000.
- 2 Suppliers for cafe purchases were owed \$2 200.
- 3 Cafe expenses of \$50 were owing.
- 4 Depreciation is to be charged on a straight line basis:  
Clubhouse: 4% on cost per annum  
Instruments: \$1 000 per annum

- 5 Life subscriptions are available under a scheme which started 8 years ago. The cost remains at the original \$500 per person. At 31 December 2008 there were six members with life subscriptions.

The life subscriptions are brought into income over 20 years commencing from the year in which payment of life subscription takes place.

- 6 The ordinary subscription rate for 2009 was \$100 per person. This is to be increased by 50% in 2010.

No subscriptions are prepaid for 2010.

\$300 remained owing from 2009 but these are expected to be received during January 2010.

Subscriptions owing at 31 December 2008, which were not received during 2009, are to be written off as bad debts.

**REQUIRED**

- (a) Prepare a Subscriptions Account for ordinary members for the year ended 31 December 2009 (a life subscriptions account is **not** required).

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The treasurer had suggested increasing cafe prices and the rate of lifetime subscriptions but the club committee refused to do this.

Instead, the committee decided to raise the ordinary subscriptions by 50%.

**REQUIRED**

**(d)** Suggest **three** additional ways in which the club could try to minimise or eliminate the deficit in future years.

**1** .....

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**2** .....

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**3** .....

..... [6]

**[Total: 30]**

3 Debussy currently produces one product for which the following information is available:

| Product <b>D946</b>     | \$ per unit         |
|-------------------------|---------------------|
| Selling price           | 6.00                |
| Direct materials        | 2.50                |
| Direct labour           | 1.40                |
| Variable overheads      | 1.10                |
| <br>                    |                     |
| Total fixed costs       | \$120 000 per annum |
| Sales per annum (units) | 200 000             |

**REQUIRED**

(a) Using the data for the current product **D946** calculate the following:

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

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(ii) profit for the year, 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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(b) Prepare the contribution to sales (profit/volume) graph, using the chart below, for the current product **D946**. Clearly show the profit at the current sales level.



[4]



(d) Based on your calculations advise Debussy whether or not to go ahead and produce all three products. Give reasons for your advice.

*For  
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**[Total: 30]**

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