

Cambridge
International
AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
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ACCOUNTING

9706/21

Paper 2 Structured Questions

October/November 2015

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 rough working.

Do not use staples, paper clips, 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.

This document consists of **14** printed pages and **2** blank pages.

- 1 The City Cricket Club's Receipts and Payments Account for the year ended 30 September 2015 is as follows:

| Receipts | \$ | Payments | \$ |
|---------------------------|---------------|------------------------------|---------------|
| Balance at 1 October 2014 | 5 604 | Supplies for refreshments | 2 697 |
| Subscriptions received | 6 650 | Groundsman's wages | 3 500 |
| Sale of refreshments | 4 430 | New equipment | 3 600 |
| Sale of advertising space | 2 600 | Team travelling expenses | 942 |
| Donations | 770 | Rent of the ground | 4 500 |
| Sale of old equipment | <u>1 500</u> | Balance at 30 September 2015 | <u>6 315</u> |
| | <u>21 554</u> | | <u>21 554</u> |

Other balances were as follows:

| | at 1 October 2014 | at 30 September 2015 |
|-----------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Trade payables for refreshments | 960 | 840 |
| Inventory of refreshments | 770 | 590 |
| Subscriptions in advance | 670 | 540 |
| Subscriptions in arrears | 240 | 320 |
| Life membership fund | 2 800 | ? |
| Equipment at cost | 10 700 | ? |
| Accumulated depreciation | 4 800 | ? |
| 5% Loan account repayable in 2017 | 5 000 | 5000 |

Additional information

- 1 Some of the subscriptions in arrears at 1 October 2014, amounting to \$50, were never received and are to be written off.
- 2 The equipment is depreciated monthly at 20% per annum using the straight-line basis.
- 3 Old equipment sold on 31 March 2015 had been purchased on 1 January 2012 for \$5000. New equipment was purchased on 1 April 2015.
- 4 Life membership costs \$40 and there were 10 new members during the year included in subscriptions received. The life membership is written off over 10 years.

REQUIRED

- (a) Prepare the refreshments trading account for the year ended 30 September 2015.

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(d) Explain the accounting treatment of a life membership fund.

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(e) Explain why the balance on the club's bank account is **not** the same as its surplus.

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[Total: 30]

Additional information

The partners agreed that it would be beneficial to admit another partner and on 1 June 2015 Cesar joined the partnership.

REQUIRED

(c) State **two** possible advantages to Alex and Barry of the admission of a new partner.

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Additional information

Cesar joined the partnership on 1 June 2015 and paid \$100 000 into the partnership bank account as his capital.

It was agreed that the goodwill was to be valued at \$60 000 and that no goodwill account would remain in the books of account.

The new profit sharing ratio for Alex, Barry and Cesar from 1 June 2015 was to be 3:2:1.

REQUIRED

(d) Prepare the capital accounts of Alex, Barry and Cesar to show the admission of Cesar on 1 June 2015.

Capital accounts

| Details | Alex \$ | Barry \$ | Cesar \$ | Details | Alex \$ | Barry \$ | Cesar \$ |
|---------|------------|-------------|-------------|---------|------------|-------------|-------------|
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[8]

- 3 Highlander Limited has two production departments, Machining and Assembling, and one service department, Maintenance.

The following estimates had been made for year 1.

Annual budgeted information

| | Machining | Assembling | Maintenance | Total |
|----------------------------|-----------|------------|-------------|---------|
| Number of employees | 160 | 120 | 120 | 400 |
| Floor area (square metres) | 7 000 | 5 000 | 4 000 | 16 000 |
| Power (kilowatt hours) | 70 000 | 52 500 | 17 500 | 140 000 |
| Direct machine hours | 14 000 | 400 | - | 14 400 |
| Direct labour hours | 1 000 | 6 000 | - | 7 000 |
| | | | | |
| | \$ | \$ | \$ | \$ |
| Indirect material | 300 | 268 | 320 | 888 |
| Indirect wages | 2 720 | 1 480 | 860 | 5 060 |
| Value of machinery | 52 000 | 48 000 | - | 100 000 |

Annual budgeted overheads

| | |
|--------------------------|---------------|
| | \$ |
| Rent | 12 800 |
| Machinery depreciation | 10 000 |
| Power | 7 200 |
| Supervision of employees | 6 400 |
| Indirect materials | 888 |
| Indirect labour | <u>5 060</u> |
| Total overheads | <u>42 348</u> |

REQUIRED

- (a) Apportion the budgeted overheads to the three departments and re-apportion the maintenance department costs to the two production departments on the basis of the value of machinery.

Overhead Analysis Sheet

| Overheads | Basis of Apportionment | Machining | Assembling | Maintenance | Totals |
|--|------------------------|-----------|------------|-------------|--------|
| | | \$ | \$ | \$ | \$ |
| Rent | floor area | | | | |
| Machinery depreciation | value of machinery | | | | |
| Power | kw hours | | | | |
| Supervision of employees | number of employees | | | | |
| Indirect materials | allocated | | | | |
| Indirect labour | allocated | | | | |
| | | | | | |
| re-apportionment of maintenance department overheads | | | | | |
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[10]

Additional information

The Machining department overhead absorption rate is applied on a machine hour basis.
The Assembling department overhead absorption rate is applied on a direct labour hour basis.

REQUIRED

(b) Calculate overhead absorption rates for each of the **two** production departments.
Calculations should be to **two** decimal places.

(i) Machining department

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(ii) Assembling department

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Additional information

The following information relates to Job 68 which was completed during year 1.

| | Machining | Assembling |
|---------------------|-----------|------------|
| | \$ | \$ |
| Direct materials | 3 500 | 100 |
| Direct labour | 500 | 1 400 |
| Machine hours | 100 | 10 |
| Direct labour hours | 20 | 60 |

REQUIRED

- (c) (i) Prepare a statement to show the total cost of Job 68.
Clearly identify the prime cost and the total overhead cost.

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- (ii) Calculate the selling price of Job 68 if the profit margin is 20% of selling price.
Round-up your answer to the nearest whole number.

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Additional information

At the end of year 1 the **estimated** cost figures were compared with the **actual** cost figures.

Machining department

Indirect wages amounted to \$2020 and not the \$2720 estimated.

Assembling department

Actual direct labour hours used in the department totalled 5570 hours and not the 6000 hours estimated.

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