

Cambridge  
International  
AS & A Level

**Cambridge International Examinations**  
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE  
NAME

CENTRE  
NUMBER

--	--	--	--	--

CANDIDATE  
NUMBER

--	--	--	--

\* 6 1 9 5 7 5 8 3 1 8 \*

**ACCOUNTING**

**9706/23**

Paper 2 Structured Questions

**October/November 2016**

**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 **19** printed pages and **1** blank page.

- 1 Maneesh has not maintained a full set of accounting records for the year ended 31 December 2015. The following information has been provided:

Assets and liabilities at 1 January 2015

	Assets	Liabilities
	\$	\$
Non-current assets at net book value	83 400	
Inventory	18 500	
Trade receivables	22 460	
Prepaid rent	1 900	
Cash in hand	180	
Trade payables		12 770
Accrued general expenses		1 320
Bank overdraft		5 640
Balance at 1 January 2015	<u>126 440</u>	<u>106 710</u>
		<u>126 440</u>

Summary bank account for the year ended 31 December 2015

	\$		\$
Receipts from credit customers	176 750	Balance at 1 January 2015	5 640
Cash sales banked	7 450	Payments to credit suppliers	138 132
Balance at 31 December 2015	17 272	Non-current assets	5 200
		Drawings	14 120
		General expenses	11 280
		Rent	<u>27 100</u>
	<u>201 472</u>	Balance at 1 January 2016	<u>201 472</u>
			17 272

Additional information

- 1 Maneesh makes both cash and credit sales. All sales were made at 40% gross margin.
- 2 Credit sales for the year totalled \$184 190.
- 3 Credit purchases for the year totalled \$136 422. There were no cash purchases.
- 4 The business maintains a cash float of \$180.
- 5 Maneesh withdrew \$20 per week from cash sales for drawings, before banking the rest.
- 6 Maneesh depreciates his non-current assets at 20% per annum using the reducing balance method.
- 7 The rent charge for the year was \$24 600.
- 8 The general expenses charge for the year was \$14 160.
- 9 Irrecoverable debts of \$900 should be written off at 31 December 2015.

**REQUIRED**

(a) Prepare the income statement for the year ended 31 December 2015.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

..... [6]

(b) Prepare the statement of financial position at 31 December 2015.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



**Additional information**

Maneesh is concerned that the bank overdraft has increased substantially during the year ended 31 December 2015.

**REQUIRED**

(c) Suggest to Maneesh **four** possible reasons for the increase in the bank overdraft.

1 .....

.....

.....

2 .....

.....

.....

3 .....

.....

.....

4 .....

.....

..... [4]



(e) State **two** items which may be included in a partnership agreement (other than the share of profit)

which will affect the appropriation account

1 .....

2 ..... [2]

which will **not** affect the appropriation account.

1 .....

2 ..... [2]

**[Total: 30]**



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

- 2 Alice, Eve and Jean are in partnership sharing profits and losses in the ratio 5 : 3 : 2 respectively. The partnership statement of financial position at 30 June 2016 was as follows:

	\$	
Non-current assets at net book value	162 000	
Current assets		
Inventory	17 208	
Trade receivables	<u>11 376</u>	
	<u>28 584</u>	
Total assets	<u>190 584</u>	
Capital accounts		
Alice	76 500	
Eve	63 000	
Jean	<u>27 000</u>	
	<u>166 500</u>	
Current accounts		
Alice	14 112	Debit
Eve	8 226	Credit
Jean	<u>18 982</u>	Credit
	<u>13 096</u>	
Current liabilities		
Trade payables	8 532	
Bank overdraft	<u>2 456</u>	
	<u>10 988</u>	
Total capital and liabilities	<u>190 584</u>	

#### Additional information

On 1 July 2016

- 1 Alice retired from the partnership.
- 2 Monies due to Alice on her retirement were paid to her from the partnership bank account.
- 3 Non-current assets were revalued at 20% lower than the net book value.
- 4 Inventory had a net realisable value of \$12 908.
- 5 An amount of \$1990 was written off as an irrecoverable debt.
- 6 Goodwill was valued at \$20 250 and was not to remain in the books of account.
- 7 Eve and Jean continued in partnership sharing profits and losses in the ratio 3:2 respectively.

#### REQUIRED

- (a) (i) State what is meant by net realisable value.

.....  
..... [1]



(c) Assess the impact of Alice's retirement on the partnership's statement of financial position.

.....

.....

.....

.....

..... [4]

**[Total: 15]**

**Question 3 is on the next page.**





- 4 Rajesh is a manufacturer with a trading year end of 31 December. He currently uses absorption costing. The business operates two production cost centres and two service cost centres. Details of these cost centres and the budgeted overhead costs for the whole business for the year ended 31 December 2015 are as follows:

Overhead	\$	Basis of apportionment
Depreciation	8 750	Non-current assets at cost
Machinery maintenance	27 000	Machine hours
Power	15 370	Kilowatt hours
Rent of premises	63 510	Floor area

The following information is also available:

	Production cost centres		Service cost centres	
	Machining	Assembly	Stores	Canteen
Floor area (square metres)	750	500	150	50
Kilowatt hours	3 750	2 500	750	250
Non-current asset at cost (\$)	90 000	30 000	12 000	8 000
Stores requisitions	150	75	-	-
Staff	20	30	3	-
Direct labour hours	2 300	13 900	-	-
Machine hours	14 100	2 650	-	-

### REQUIRED

- (a) Apportion the overhead costs to the four cost centres and re-apportion the service cost centres costs to production cost centres using a suitable basis.

	Total	Production cost centres		Service cost centres	
		Machining	Assembly	Stores	Canteen
	\$	\$	\$	\$	\$
Depreciation					
Machinery maintenance					
Power					
Rent of premises					
Re-apportionment of canteen					
Re-apportionment of stores					
Total overhead cost					

[8]





**Additional information**

The actual results for the year were as follows:

	Machining	Assembly
Factory overheads	\$76 750	\$45 675
Direct labour hours	2 560	12 650
Machine hours	16 210	2 490

**REQUIRED**

(d) Calculate the over absorption or under absorption of overheads for each production cost centre.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

(e) State what is meant by allocation.

.....

..... [1]

(f) State what is meant by overhead costs.

.....

.....

.....

..... [2]

(g) Explain why overhead costs are re-apportioned from service cost centres.

.....  
.....  
.....  
.....  
.....  
..... [2]

**Additional information**

Rajesh has been advised to change to a marginal costing system.

**REQUIRED**

(h) Advise Rajesh whether or not he should change. Justify your answer.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [5]

**[Total: 30]**

**BLANK PAGE**

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at [www.cie.org.uk](http://www.cie.org.uk) after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.