

Cambridge  
International  
AS & A Level

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

CANDIDATE  
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NUMBER

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NUMBER

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**ACCOUNTING**

**9706/02**

Paper 2 Structured Questions

**For Examination from 2016**

SPECIMEN PAPER

**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 any diagrams, graphs or rough working.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

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











2 Businesses depreciate their non-current assets.

**REQUIRED**

(a) State **two** reasons why a business depreciates its non-current assets.

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..... [2]

(b) Explain with examples why a business uses different rates of depreciation for different types of assets.

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..... [3]

### Additional information

Annette runs a trading business. Her trading year end is 30 June. She provided the following information relating to her non-current assets at 30 June 2014.

	Plant and machinery \$	Motor vehicles \$
Cost	500 000	300 000
Accumulated depreciation	200 000	100 000

During the year ended 30 June 2014 she provided depreciation of \$50 000 on motor vehicles.

Her accounting policy is to depreciate non-current assets as follows:

- Plant and machinery at 10% per annum using the straight-line basis
- Motor vehicles using the reducing balance basis
- A full year's depreciation is charged in the year of purchase
- No depreciation is charged in the year of disposal

During the year ended 30 June 2015 Annette purchased new machinery at a cost of \$180 000. She sold some old equipment for \$38 000. This had cost \$40 000 and had been purchased on 1 January 2013.

**REQUIRED**

(c) Calculate the depreciation charge for the year ended 30 June 2015 in respect of the plant and machinery.

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..... [3]

(d) Calculate the rate of depreciation used by Annette for motor vehicles.

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..... [4]

**Additional information:**

Annette is thinking of changing the method of depreciation each year in order to show the highest profit possible.

**REQUIRED**

(e) Advise Annette whether or not she should do this, giving **two** reasons for your answer.

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..... [3]

**[Total: 15]**  
**[Turn over**

- 3 Ben, Stan and Dan have been in partnership for many years sharing profits and losses equally. Their summarised statement of financial position at 31 March 2015 is as follows:

	\$	\$
<b>Assets</b>		
Non-current assets		300 000
Current assets		<u>140 000</u>
		<u>440 000</u>
<b>Capital accounts</b>		
Ben	140 000	
Dan	140 000	
Stan	<u>140 000</u>	420 000
<b>Current accounts</b>		
Ben	12 000	
Dan	14 000	
Stan	<u>(6 000)</u>	<u>20 000</u>
		<u>440 000</u>

On 1 April 2015 Stan retired from the partnership. Ben and Dan will share profits and losses equally.

The terms of Stan's retirement were as follows:

- 1 Goodwill was valued at \$36 000. No goodwill account is to appear in the books of account.
- 2 Stan will take a motor vehicle in part settlement of the amount due to him. This was valued in the books at \$10 000. However, the partners agreed that it was only worth \$7 000.
- 3 The remaining non-current assets were revalued at \$320 000.

All of these adjustments were recorded in the books of account on 1 April 2015.

**REQUIRED**

(a) State **two** reasons why a partner's current account may have a debit balance.

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..... [2]

(b) Explain why a partner's capital account is credited with goodwill and any revaluation of assets when they retire.

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..... [3]

(c) Prepare the revaluation account for the partnership.

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..... [3]

(d) Prepare the capital accounts of Ben and Dan.

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..... [3]

(e) Calculate the amount paid to Stan from the partnership bank account.

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..... [4]

**[Total: 15]**

4 Janty operates a small manufacturing business making a single product, product Aye. The factory has two production cost centres and no service cost centres.

**REQUIRED**

(a) Explain what is meant by a cost centre.

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..... [2]

**Additional information**

Janty calculates an overhead absorption rate for each cost centre based on budgeted data. She then uses this to charge overheads to products.

Details of the **budgeted** information are:

	Cost centre 1	Cost centre 2
Overheads	\$100 000	\$180 000
Direct labour hours	10 000	3 600
Machine hours	2 000	45 000

**REQUIRED**

(b) Calculate a suitable overhead absorption rate for **each** cost centre.

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..... [4]









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