

CANDIDATE  
NAME

--

CENTRE  
NUMBER

--	--	--	--	--

CANDIDATE  
NUMBER

--	--	--	--

**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.



Answer **all** the questions.

- 1 Ali operates a small trading business.

For the year ended 31 December 2014 he provides the following information:

Gross profit margin	54%
Profit margin	18%
Current ratio	1.6 : 1
Trade receivables turnover	40 days
Return on capital employed	5.4%
Cost of sales	\$248 400
Closing inventory	\$38 000
Cash and cash equivalents	\$30 308
Long-term loan	\$1 000 000

**REQUIRED**

- (a) Prepare for Ali's business in as much detail as possible:

- (i) the income statement for the year ended 31 December 2014

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

..... [5]



(b) State **two** advantages and **two** disadvantages of ratio analysis.

.....

.....

.....

.....

.....

.....

.....

.....

[4]



**Additional information**

At 31 January 2015 the balance on the sales ledger control account was \$64 850. After investigation the following errors were discovered.

- (i) The total of the discount allowed column in the cash book had been overstated by \$200.
- (ii) A receipt of \$800 from Siri, a customer, had been treated as a refund from Sally, a supplier.
- (iii) The total of the sales journal for January had been undercast by \$500.
- (iv) An invoice for \$950 sent to Bernie had been entered in the sales journal as \$590.
- (v) Goods with a selling price of \$760 had been invoiced to Janine. The goods were sent on a sale or return basis. Janine had not indicated whether or not she intended to buy them.
- (vi) An invoice for \$280 sent to Ken had been correctly entered in the sales journal but had been entered in Ken's account as \$208.

**REQUIRED**

- (e)** Calculate the correct balance on the sales ledger control account after making the appropriate adjustments.

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

..... [7]

**[Total: 30]**

2 Businesses depreciate their non-current assets.

**REQUIRED**

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

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

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

.....  
.....  
.....  
.....  
.....  
..... [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.

.....  
.....  
.....  
.....  
.....  
..... [3]

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

.....  
.....  
.....  
.....  
.....  
..... [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.

.....  
.....  
.....  
..... [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.

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

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

.....  
.....  
.....  
.....  
.....  
..... [3]

(c) Prepare the revaluation account for the partnership.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [3]

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

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [3]

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

.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [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.

.....  
.....  
.....  
..... [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.

.....  
.....  
.....  
..... [4]

**Additional information**

The actual overheads incurred and hours worked for each cost centre during the year were as follows:

	Cost centre 1	Cost centre 2
Actual overheads	\$105 000	\$172 000
Actual direct labour hours	10 100	4 000
Actual machine hours	2 400	47 000

**REQUIRED**

**(c)** Calculate the over absorption or under absorption of overheads for each department for the year.

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]



**Additional information**

Simon offers to pay Janty \$350 for the order. At the present time the factory is not operating at full capacity.

**REQUIRED**

(e) Recommend with reasons whether Janty should accept Simon's order.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

**Additional information**

Janty operates a second factory. This factory manufactures two products, Bee and Cee. She has provided you with the following **actual** information for the last financial year.

	Bee	Cee	Total
Sales units	5 000	8 000	
	\$	\$	\$
Revenue	75 000	96 000	171 000
Variable costs	(50 000)	(62 000)	(112 000)
Allocated fixed overheads	<u>(22 000)</u>	<u>(12 000)</u>	<u>(34 000)</u>
Profit for the year	<u>3 000</u>	<u>22 000</u>	<u>25 000</u>

**REQUIRED**

(f) Calculate the break-even point in units for Bee.

.....  
.....  
.....  
..... [4]



**Additional information**

Janty is considering stopping the production of Bee because of its low profitability.

**REQUIRED**

(g) Recommend with reasons whether Janty should stop making product Bee.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

**[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.

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.