Location Entry Codes

As part of CIE's continual commitment to maintaining best practice in assessment, CIE uses different variants of some question papers for our most popular assessments with large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions is unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiners' Reports that are available.

Question Paper Mark Scheme Principal Examiner's Report Introduction Introduction Introduction First variant Question Paper First variant Mark Scheme First variant Principal Examiner's Report Second variant Question Second variant Mark Second variant Principal Paper Scheme Examiner's Report

Who can I contact for further information on these changes?

Please direct any questions about this to CIE's Customer Services team at: international@cie.org.uk

The titles for the variant items should correspond with the table above, so that at the top of the first page of the relevant part of the document and on the header, it has the words:

First variant Question Paper / Mark Scheme / Principal Examiner's Report

or

Second variant Question Paper / Mark Scheme / Principal Examiner's Report

as appropriate.





UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education

Advanced Subsidiary Level and Advanced Level

CANDIDATE NAME							
CENTRE NUMBER				CANDIE NUMBE			

ACCOUNTING

9706/21

Paper 2 Structured Questions

May/June 2009

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						
Total						

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



1 Suhail is a sole trader who provides the following information.

For Examiner's Use

Suhail's assets and liabilities, other than bank, were as follows:

	1 April 2008	31 March 2009
	\$	\$
Premises at cost	200 000	200 000
Fixtures at book value	24 000	18 000
Vehicles at book value	30 000	22 500
Stock	82 150	76 500
Debtors	66 340	60 870
Cash	510	510
Creditors	64 300	71 200

There were no purchases or sales of fixed assets during the year ended 31 March 2009.

A summary of Suhail's bank statement for the year ended 31 March 2009 is shown below.

	Dr	Cr	Balance
	\$	\$	\$
Bank balance at 1 April 2008			61 000 overdrawr
Receipts from debtors		841 030	780 030
Payments to creditors	605 190		174 840
Rent and rates	12 590		162 250
Electricity	17 145		145 105
Advertising	19 325		125 780
Wages	65 100		60 680
Sales commission paid	14 250		46 430
Drawings	28 500		17 930

Suhail's creditors had allowed him discount of \$19 000 during the year.

All purchases and sales are on credit.

REQUIRED

(a)

ED	_ ا
Prepare Suhail's trading and profit and loss account for the year ended 31 March 2009.	Ex

(b)	Prepare Suhail's balance sheet at 31 March 2009.
	[9]

Suhail's capital at 1 April 2007 was \$250 000.

For Examiner's Use

The following were Suhail's trading figures for the year ended 31 March 2008:

	\$
Sales	820 000
Gross profit	161 000
Expenses other than depreciation	102 000
Drawings	22 000

Depreciation was provided for as follows:

Fixtures, 20 % straight line

Vehicles, 25% reducing balance.

(c)		In order to compare Suhail's performance between the years ended 31 March 2008 and 31 March 2009, calculate, to two decimal places:									
	(i)	two profitability ratios;									
		[2]									
	(ii)	two liquidity ratios.									

Using the ratios calculated in (c)(i) and (ii) , comment briefly on Suhail's performance over the two years.	on Suha	briefly	comment	(ii),	and	(c)(i)	in ars.	calculated the two yea	ratios e over	the manc	Using perforr	(iii)
					•••••							
					•••••							
					••••••							
[5]												
[Total: 30]	[Total:											

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Question 2 is on the next page.

2 A During the year ended 31 March 2007 Jeremiah lost money through customers not paying the amounts due to him. On 1 April 2007 he set up a provision for doubtful debts account.

For Examiner's Use

REQUIRED

(a)	(i)	Give one reason why Jeremiah decided to set up this account.
		[2]
		[2]
	(ii)	Describe two factors Jeremiah might consider when deciding the amount to be provided for in the provision for doubtful debts account.
		[2]
	(iii)	Explain the difference between the accounting treatment of a bad debt and a doubtful debt.
		[2]

On 1 April 2008, Jeremiah's provision for doubtful debts account had a balance of \$8000. This consisted of an anticipated loss of \$2500 which was the total owed by a debtor, Uriah, who had been declared bankrupt, and a general provision of \$5500, which was $2\frac{1}{2}$ % of **all** of his debtors.

On 31 May 2008 Liew, who owed Jeremiah \$1200, paid Jeremiah only \$0.40 for every dollar owed. The remainder was written off as a bad debt.

On 30 June 2008, Uriah paid Jeremiah \$0.35 for every dollar owed, in **final** settlement of his account.

On 28 February 2009 Jeremiah wrote off \$300 of overdue debts from various debtors.

On 31 March 2009 Jeremiah's total debtors amounted to \$205 000 and he adjusted his provision for doubtful debts account to 3% of that amount.

For
Examiner's
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(b)	Prep 31 M	oare ⁄larch	in 200	Jerem 09.	iah's	ledgers	the	following	accounts	for	the	year	ended
	(i) Provision for doubtful debts account;												
													[3]
	(ii)	Bad	deb	ts acco	ount.								
													[4]
									nd been wri amount du		off in :	2007, a	after he
	RE	QUIR	ED										
	(iii)			in Jere h 2009		s ledgers	the b	ad debts re	covered ac	coun	t for tl	ne yea	r ended
													[2]

B Lari, a retailer whose financial year ends on 31 May, failed to check his stock until 8 June in 2009. At that date his stock at cost was valued at \$72 200. Lari's mark-up is 30 % on cost.

For Examiner's Use

During the first 8 days of June, the following transactions took place:

		\$
(i)	Purchases of goods for resale	21 200
(ii)	Purchases returns	510
(iii)	Sales	25 740
(iv)	Sales returns (at selling price)	273
(v)	Goods taken for personal use, at cost	700

After taking stock, Lari discovered that the following items had been included in the valuation at 8 June:

- (vi) A parcel of stock which had been water-damaged. This had been on sale for \$390 but was now worthless.
- (vii) Stock which had cost \$1200 but was now out of fashion and would have to be sold for \$400 less than cost.
- (viii) Goods costing \$950 which Lari had acquired on a sale or return basis. He had not decided whether or not to keep them.
- (ix) Goods, sold during May for \$1560, which were awaiting collection by a customer.

(a)	Explain the difference between mark-up and margin.	
		[2

(b)	Prepare a statement to calculate the correct value of stock at cost at 31 May 2009. Begin your calculation with the original stock valuation of \$72 200. Show all workings.
	[13]
	[Total 30]

12 Gala Sounds Ltd manufactures DVD players which sell for \$80 each. Production is 150 000 3 units per annum, all of which are sold. Unit costs at that level of production are: \$ Direct materials 40 Direct labour 8 Variable overheads 10 Fixed overheads 11 **REQUIRED** (a) Calculate one year's total profit or loss. [7] The sales manager believes that if the selling price could be reduced to \$75 per unit, an additional 50 000 units would be sold. The existing production of 150 000 units is based on a single day shift working a full day without overtime. The sales manager believes that an evening shift might also be

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introduced, using one-third of the number of workers employed on the day shift. This would mean that an annual total of 200 000 units could be produced.

As a result of the changes, the following would take place:

- To compensate for unsocial hours, evening shift workers will be paid an additional \$2 per unit.
- Variable overheads for the evening shift increase by 10%.
- Economies of scale mean that a discount of 15 % will be received on purchase of all direct materials.
- Fixed costs increase by \$1 000 000.

All production will continue to be sold.

REQUIRED

(b)	Calculate the additional profit or loss on the introduction of the new shift system.
	[17]

Other factors need to be taken into consideration before introducing a new shift system.

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REQUIRED

c)	Discuss, briefly, three of these factors.
	[6]

[Total: 30]

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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education

Advanced Subsidiary Level and Advanced Level

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		

ACCOUNTING 9706/22

Paper 2 Structured Questions

May/June 2009 1 hour 30 minutes

Candidates answer on the Question Paper. No Additional Materials are required.

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You may use a calculator.

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Drawings	28 500		17 930	

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All purchases and sales are on credit.

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(a)

Prepare Suhail's trading and profit and loss account for the year ended 31 March 2009.
[12]

b)	Prepare Suhail's balance sheet at 31 March 2009.	
	[9]	

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3	on Suhail's	briefly	comment	(ii),	and	(c)(i)	d in ars.	calculated the two yea	ratios e over	Using the performanc	(iii)
		••••••			••••••						
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]	[Total: 30										

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REQUIRED

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		[2]
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(b) Pre	epare March	in 200	Jerem 9.	niah's	ledgers	the	following	accounts	for	the	year	ended
(i)	Prov	/isior	n for do	oubtful	debts ac	count	;					
	•••••											
												[3]
(ii) Bad	deb	ts acco	ount.								
												[4]
								ad been wri e amount du		off in 2	2007, a	after he
RI	EQUIR	ED										
(ii			in Jere h 2009		ledgers	the b	ad debts re	ecovered ac	count	t for th	ne yea	r ended
												[2]

B Lari, a retailer whose financial year ends on 31 May, failed to check his stock until 8 June in 2009. At that date his stock at cost was valued at \$72 200. Lari's mark-up is 30 % on cost.

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- (ix) Goods, sold during May for \$1560, which were awaiting collection by a customer.

(a)	Explain the difference between mark-up and margin.	
		•••
		•••
		[2]

(b)	Prepare a statement to calculate the correct value of stock at cost at 31 May 2009. Begin your calculation with the original stock valuation of \$72 200. Show all workings.
	[13]

3	Alberta availabl	Limited produces one product e.	, plates, fo	or which	the	following	information	is
		Selling price Direct materials Direct labour Variable overheads	\$ per (12.00 5.00 2.80 2.20	unit				
		Total fixed costs (per annum) Sales per annum (units)	\$240 000 400 000					
	REQUIF	RED						
	(a) Usi	ng the information above, calcula	te the follow	ving:				
	(i)	break-even point in units and sa	les value;					
								[6]
	(ii)	profit for one year, clearly showing	ng the conti	ibution p	er uni	t;		
							······	
								[4]
	(iii)	margin of safety in units and as	a percentaç	e of sale	S.			
							.	
								[4]

Alberta Limited is now considering extending the product range by adding two products, cups and saucers. The fixed costs would double to \$480 000 if **any** new product was introduced.

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The following information is available for the additional products.

	Cups	Saucers
	\$ per unit	\$ per unit
Selling price	18.00	26.00
Direct materials	7.20	14.00
Direct labour	4.80	4.20
Variable overheads	3.00	1.80
Sales per annum (units)	100 000	60 000

The current workforce is operating at full capacity in the production of the plates. There is, however, machine capacity available to undertake the production of both cups and saucers.

Alberta Limited extended their product range by adding both products.

ates, cups	and sauce		could achieve if n per unit ar	
 		 		[10]

(c)	Explain the implications for the local community if Alberta Limited decides to extend its product range.
	[6]
	[Total: 30]

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