UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER					

ACCOUNTING **9706/23**

Paper 2 Structured Questions **October/November 2011**

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.
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.

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Total	

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1 Carl and Daniel are in partnership. Their partnership agreement provides that:

1 Daniel has a partnership salary of $3000 per annum

2 Interest on capital is 6% per annum

3 Interest on drawings is charged

4 Residual profits / losses are shared 3:2 respectively.

The partners have never kept full accounting records but provided the following information:

Cash book summary for the year ended 31 December 2010

	$		$
Balance b/d	2 178	Trade payables	195 911
Trade receivables	44 049	Wages	63 156
Cash sales	332 467	Purchase of machine	8 800
Rent received	7 000	General expenses	56 676
		Drawings – Carl	35 660
		Drawings – Daniel	26 480

The assets and liabilities were:

	1 January 2010 $	31 December 2010 $
Fixed capital account – Carl	100 000Cr	100 000Cr
Fixed capital account – Daniel	70 000Cr	70 000Cr
Current account – Carl	3 210Cr	?
Current account – Daniel	1 304Cr	?
Machinery (Net Book Value)	147 000	145 000
Motor vehicle (Net Book Value)	16 000	8 000
Inventory	14 003	13 471
Trade receivables	317	183
Trade payables	4 872	5 163
Wages accrued	612	938
Rent receivable accrued	500	–
Rent receivable prepaid	–	500

Additional information:

1. During the year, an old machine which had cost $10 000 was traded in for $3200 in part exchange for a new machine costing $12 000. The old machine had been depreciated by $6000 over its lifetime.

2. Interest on drawings for the year amounted to:
   Carl – $230
   Daniel – $100

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REQUIRED

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(a) Prepare the income statement (trading and profit and loss account) **and** appropriation account for Carl and Daniel for the year ended 31 December 2010.

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(b) Prepare the partners' current accounts (in columnar format) for the year ended 31 December 2010.

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[Total: 30]

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2 Answer Sections **A** and **B**.

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A Sarah runs a wholesale business. An extract from her statement of financial position (balance sheet) at 31 December 2009 shows:

Motor vehicles at cost	$371 000
Motor vehicle accumulated depreciation	$130 000

During the financial year ended 31 December 2010 the following transactions took place.

1 A motor vehicle purchased on 1 January 2006 for $9200 was sold on 30 June 2010 for $500.

2 A motor vehicle was purchased on 1 April 2010 for $15 000.

Depreciation is charged at 20% per annum on cost, with the rate being applied for each part of the year. No allowance is made for any residual value.

All motor vehicles held by the company at 31 December 2010 had been purchased within the previous five years.

All transactions are by cheque.

REQUIRED

(a) Prepare the following ledger accounts for the year ended 31 December 2010.

(i) Motor vehicles account

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(ii) Provision for depreciation of motor vehicles account

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(iii) Motor vehicle disposal account

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(b) Prepare an extract from the statement of financial position (balance sheet) for non-current assets at 31 December 2010.

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(c) Explain why businesses provide for depreciation on their non-current assets.

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B The treasurer of Hamilton Social Club has provided the following information for the year ended 31 March 2011.

	31 March 2010	31 March 2011
	$	$
Café inventory at cost	3400	3950
Café trade payables	1570	880
Subscriptions in arrears	240	120
Equipment (net book value)	5400	9360
Stock of stationery at cost	110	85
Cash at bank	1800	340
5% loan (repayable 2015)	–	5000

Equipment costing $5000 was purchased on 1 April 2010. It was financed by the 5% loan. At the year end 31 March 2011, no payment of interest had been made.

Included in the café inventory at 31 March 2011 were items costing $120 that were out of date. They had a net realisable value of $30.

REQUIRED

(a) Prepare a statement of financial position (balance sheet) for Hamilton Social Club at 31 March 2011. Show clearly the surplus or deficit for the year. An income and expenditure account is **not** required.

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3 Redwood Manufacturing Ltd started in business on 1 January 2008 to manufacture furniture to customers' special requirements. The following information is available for its first three years in business.

	2008	**2009**	**2010**
	$	$	$
Fixed Costs	60 000	66 000	70 000
Direct materials (per unit)	15	15	16
Direct labour (per unit)	8	9	9
Variable overheads (per unit)	4	6	7
Selling price (per unit)	40	44	46

The production and sales quantities during the period were:

Production (units)	15 000	12 000	16 000
Sales (units)	12 000	13 000	16 000

All inventory has been valued using FIFO.

REQUIRED

(a) Prepare a statement showing the gross profit for **each** of the **three** years if the company used

(i) marginal costing principles to valuing inventory (stock);

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(ii) absorption costing principles to valuing inventory (stock).

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(b) Prepare a statement to reconcile the amounts of profit for **each** of the **three** years calculated under **both** marginal costing and absorption costing principles.

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