



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

CANDIDATE
 NAME

CENTRE
 NUMBER

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CANDIDATE
 NUMBER

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ACCOUNTING

9706/22

Paper 2 Structured Questions

October/November 2012

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.

For Examiner's Use	
1	
2	
3	
Total	

This document consists of **14** printed pages and **2** blank pages.

- 1 Sharon Woo does not maintain full accounting records but is able to provide the following cash receipts and payments information for the year ended 30 April 2012.

Cash receipts	\$	Cash payments	\$
Cash sales	260 000	Payments to credit suppliers	216 000
Receipts from trade debtors	40 000	Equipment	20 000
Disposal of surplus equipment	4 800	Wages	22 000
		Drawings	48 000
		Rent	10 000

The following information is also available:

1	Balances	1 May 2011	30 April 2012
		\$	\$
	Premises	100 000	100 000
	Bank	8 000	3 200 Cr
	Trade receivables	26 800	24 800
	Trade payables	21 200	22 400
	Equipment	24 000	36 400
	Rent prepaid	1 200	1 600
	Inventory	16 800	20 800

- 2 Surplus equipment was sold at a loss of \$400
- 3 The sales figure does **not** include \$18 000 of which Sharon Woo took \$6 000 for her own use and the remainder was used to pay wages.
- 4 Discounts allowed during the year amounted to \$7200.
- 5 Discounts received during the year amounted to \$10 800.

REQUIRED

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- (a) Calculate Sharon Woo's capital at 1 May 2011.

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(c) Calculate the return on capital employed for the year ended 30 April 2012 (to **two** decimal places) using the opening capital figure.

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(d) Advise Sharon Woo how she can use the figure for return on capital employed to assess the performance of her business.

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[3]

[Total: 30]

2 Amina and Nizam are in partnership sharing profits and losses in the ratio of 3:5. Their accounting year ended on 31 December 2011.

The partnership agreement also states that:

- 1 Amina receives a salary of \$24 450 annually;
- 2 Interest on drawings is charged at 5% on annual drawings;
- 3 Interest on capital is payable at the rate of 4% per annum.

The following balances were extracted from the books on 1 January 2011.

	Capital account	Current account
Amina	\$140 000	\$8 400 Dr
Nizam	\$240 000	\$3 200 Dr

On 1 July 2011, Amina paid an additional \$20 000 capital into the business bank account.

Drawings for the year were Amina \$26 000, Nizam \$35 000.

Profit for the year before appropriations was \$120 000.

REQUIRED

(a) Prepare the appropriation account for Amina and Nizam for the year ended 31 December 2011.

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In July 2012, Amina, Nizam and Sarah discovered several errors that had been made in their accounts. Their trial balance failed to agree and the difference was entered into a suspense account.

- 1 The revenue (sales) account had been overcast by \$18 200.
- 2 Discounts received of \$9 600 had been entered on the debit side of the discounts allowed account.
- 3 Simon, a debtor, had paid a cheque for \$9 400 to clear his account. His account had been credited for this amount but no entry had been made in the cash book.

REQUIRED

(d) Prepare journal entries to correct each of the errors which had been discovered (narratives are **not** required).

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(e) Prepare the suspense account, clearly showing the balance brought forward.

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[Total: 30]

3 Rapunzel Ltd produce three types of shampoo: Aloe, Hazel and Peach.

Each shampoo uses the same manufacturing process but contains different ingredients.

The following data is available for the 6 months ended 31 October 2012.

	Aloe	Hazel	Peach
Sales (litres)	120 000	39 000	60 000
Selling price per litre	\$8.00	\$14.00	\$10.00
Direct materials per litre	\$2.70	\$7.80	\$5.36
Variable overheads per litre	\$1.80	\$2.20	\$1.00
Direct labour rate per hour	\$3.20	\$3.20	\$3.20
Output per labour hour (litres)	8	4	5

Total fixed costs of \$477 750 for the 6 months were recovered at the rate of \$13.00 per direct labour hour.

No inventory is kept and all output is sold in the month of production.

REQUIRED

(a) Calculate the total direct labour hours required for the 6 months ended 31 October 2012.

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[2]

One of the directors suggests that production of the Hazel shampoo should be stopped and resources should be concentrated on the production of the Aloe and Peach shampoos.

If this decision is implemented:

- The sales of Aloe and Peach shampoos are forecast to increase by 10% each;
- There will be no increase in the selling price;
- The rates for variable costs will remain unchanged;
- Higher marketing costs will increase the total fixed costs to \$550 000.

REQUIRED

- (d) Prepare a statement showing the expected **net** profit or loss for the Aloe and Peach shampoos and the **total** expected **net** profit for the 6 months ending 30 April 2013.

Using the overhead recovery rate of \$13.00 per direct labour hour clearly show any fixed overhead over/under absorbed.

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(e) Based on your calculations in **(b)** and **(d)** above, advise the Board of Directors regarding the future production of the range of shampoos.

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