



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

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER



**ACCOUNTING**

**9706/21**

Paper 2 Structured Questions

**May/June 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 |  |
|--------------------|--|
| <b>1</b>           |  |
| <b>2</b>           |  |
| <b>3</b>           |  |
| <b>Total</b>       |  |

This document consists of **12** printed pages.



- 1 Alana owns and manages a shop with three separate departments selling food, clothing and toys. The following trial balance is available for the year ended 30 April 2012.

|   | \$ 000     | \$ 000     |
|---|------------|------------|
| Inventory at 1 May 2011:                          |            |            |
| Food  | 10         |            |
| Clothing  | 12         |            |
| Toys  | 31         |            |
| Purchases and sales                               |            |            |
| Food  | 67         | 250        |
| Clothing  | 50         | 150        |
| Toys  | 57         | 100        |
| Sales staff wages                                 | 80         |            |
| Advertising                                       | 8          |            |
| Heat and light                                    | 30         |            |
| Insurance   | 5          |            |
| Fixtures and fittings at cost                     | 120        |            |
| Provision for depreciation, fixtures and fittings |            | 12         |
| Property  | 200        |            |
| Trade receivables                                 | 95         |            |
| Bank  | 55         |            |
| Trade payables                                    |            | 40         |
| Capital   |            | <u>268</u> |
|   | <u>820</u> | <u>820</u> |

**Additional information:**

- 1 Inventory at 30 April 2012:
 

|          |           |
|----------|-----------|
| Food     | \$ 17 000 |
| Clothing | 12 000    |
| Toys     | 43 000    |
  
- 2 The shop has 2 floors with the food department on the ground floor and both the clothing and toys departments taking up equal floor space on the floor above.
  
- 3 At 30 April 2012:
  - an invoice for advertising amounting to \$2000 remained unpaid;
  - \$6000 had been paid in advance for heating and lighting.
  
- 4 Expenses are apportioned between departments as follows:
 

Apportioned on the basis of sales income:

  - sales staff wages; advertising.

Apportioned on the basis of floor area:

  - heat and light; insurance; depreciation.
  
- 5 Straight line depreciation is charged on fixtures and fittings at 10% per annum.



(b) Explain how the preparation of a departmental income statement might assist Alana in managing the business.

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(c) Alana's accountant values some inventory at cost of purchase and some at net realisable value.

Explain these terms to Alana:

(i) cost of purchase

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(ii) net realisable value.

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**[Total: 30]**

- 2 Jackie and Kim are in partnership sharing profits and losses in the ratio of 3:2. The following statement of financial position was provided on 30 April 2012.

**Statement of Financial Position at 30 April 2012**

|   | \$            | \$            | \$             |
|---|---------------|---------------|----------------|
| <b>Non-current assets at net book value</b> |               |               |                |
| Premises                                    |               |               | 120 000        |
| Fixtures and fittings                       |               |               | <u>72 000</u>  |
|   |               |               | 192 000        |
| <b>Current assets</b>                       |               |               |                |
| Inventory                                   | 30 000        |               |                |
| Trade receivables                           | 20 000        |               |                |
| Bank  | <u>16 000</u> |               |                |
|   |               | 66 000        |                |
| <b>Current liabilities</b>                  |               |               |                |
| Trade payables                              | 12 000        |               |                |
| Wages accrued                               | <u>1 000</u>  |               |                |
|   |               | 13 000        |                |
| <b>Net current assets</b>                   |               |               | <u>53 000</u>  |
| Net assets                                  |               |               | <u>245 000</u> |
| <b>Capital accounts</b>                     |               |               |                |
| Jackie                                      |               | 141 000       |                |
| Kim   |               | <u>94 000</u> | 235 000        |
| <b>Current accounts</b>                     |               |               |                |
| Jackie                                      |               | 6 000         |                |
| Kim   |               | <u>4 000</u>  | <u>10 000</u>  |
|   |               |               | <u>245 000</u> |

Maura is a long-term employee of the partnership. Her current annual salary is \$16 500.

She recently inherited a sum of \$60 000 and is considering an invitation from Jackie and Kim to invest \$50 000 in the business in return for becoming a partner on 1 May 2012.

If she agrees, the following terms would apply:

- 1 Maura is to be paid a partnership salary of \$11 000 per year.
- 2 All partners are to receive interest on capital of 3% per year.
- 3 All partners are permitted to withdraw up to \$10 000 per year.
- 4 All partners are to pay interest on annual drawings at 5% per year.
- 5 Maura is to receive a 10% residual share of profits and losses. The remaining profit or loss is to be divided between the other partners in ratio to their capital.
- 6 Jackie and Kim will withdraw the full amount available to them while Maura will withdraw \$5 500.

The profit for the year ended 30 April 2013 is forecast to be \$121 000.

REQUIRED

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Use

(a) Prepare an estimated profit and loss appropriation account for the year ended 30 April 2013, assuming Maura accepts the invitation to join the partnership.

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**(b)** Prepare Maura's current account for the year ended 30 April 2013.

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**(c)** Instead of investing in the partnership Maura could bank her \$50 000 at an annual interest rate of 5%.

Using appropriate figures calculated in **(a)** and **(b)**, advise Maura whether or not to accept the offer of a partnership.

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Jackie and Kim provided the following accounting ratios:

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|                                     | Year ended<br>30 April 2011 | Year ended<br>30 April 2012 |
|-------------------------------------|-----------------------------|-----------------------------|
| Percentage of gross profit to sales | 21%                         | 24%                         |
| Percentage of net profit to sales   | 10%                         | 11%                         |

**REQUIRED**

(d) Suggest **two** reasons for the change in the percentage of gross profit to sales.

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(e) Suggest **two** reasons for the change in the percentage of net profit to sales.

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**[Total: 30]**



3 Blue Skies Ltd manufactures three types of tent: Beach, Explorer and Family.

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The company provides the following forecast data for the year ending 30 April 2013:

|                         | Beach  | Explorer | Family |
|-------------------------|--------|----------|--------|
| Forecast demand (units) | 30 000 | 40 000   | 24 000 |
| Per Unit                | \$     | \$       | \$     |
| Selling price           | 70     | 130      | 200    |
| Raw materials           | 30     | 36       | 54     |
| Direct labour           | 8      | 20       | 38     |
| Variable overhead       | 6      | 26       | 48     |

The same waterproof material is used in the manufacture of each tent.

The cost of material is estimated to be \$6 per square metre.

Fixed costs for the year ending 30 April 2013 are estimated to be \$3 500 000.

**REQUIRED**

(a) (i) Calculate the unit contribution for each product.

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- (ii) Calculate the total contribution and profit for the year based on forecast demand.

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There is only one supplier capable of producing waterproof tent material of the required quality.

They have informed Blue Skies Ltd that the maximum amount they can supply in the year will be 546 000 square metres.

**REQUIRED**

- (b) Calculate the contribution per square metre for each product produced.

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- (c) Using the quantity of material that is available for production, calculate the number of **each** type of tent that should be produced so that total profit is maximised.

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- (d) Using the quantity of material that is available, prepare a marginal cost profit statement.

Clearly show the contribution made by **each** type of tent and the **total** profit made in the year.

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