

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/22

Paper 2 Structured Questions

February/March 2019

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 rough working.

Do not use staples, paper clips, 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.

This document consists of **20** printed pages.



- 1 The following balances were extracted from the books of K Limited at 30 September 2018.

	Debit \$000	Credit \$000
8% Debentures (2022-2024)		75
Administrative expenses	42	
Cash and cash equivalents		11
Cost of sales	587	
Debenture interest	3	
Distribution costs	46	
Dividends paid	60	
Equipment		
cost	90	
provision for depreciation at 1 October 2017		30
Land and buildings		
cost	980	
provision for depreciation at 1 October 2017		135
Inventory at 30 September 2018	19	
Issued share capital: ordinary shares of \$0.50 each		450
Retained earnings at 1 October 2017		106
Revenue		936
Share premium		90
Trade payables		35
Trade receivables	41	

The following information is also available.

- Administrative expenses includes a payment, \$9000, for insurance for the three months ended 30 November 2018.
- Carriage inwards of \$3000 had been included in distribution costs.
- Land and buildings includes land at a cost of \$260 000.
- The company's depreciation policy is as follows:

Equipment	20% per annum using the reducing balance method	Charged to distribution costs
Buildings	2½% per annum using the straight-line method	Charged to administrative expenses
Land	No depreciation	

Additional information

During the year ended 30 September 2018 the directors had made a rights issue of 1 ordinary share for every 2 shares held at a price of \$0.70 per share. The issue was fully subscribed and had been recorded in the books of account.

REQUIRED

(b) Prepare the statement of changes in equity for the year ended 30 September 2018.

	Share capital \$000	Share premium \$000	Retained earnings \$000	Total \$000

Workings:

[6]

(e) State **three** ways in which a business could reduce trade receivables turnover.

1
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2
.....
3
..... [3]

(f) State **three** drawbacks of increasing trade payables turnover.

1
.....
2
.....
3
..... [3]

[Total: 30]

Question 2 is on the next page.

2 Mira, Sasha and Peta have been trading as a partnership.

They share profits and losses in the ratio of 2:2:1 respectively. The partnership ceased trading on 31 January 2019.

REQUIRED

(a) State **four** reasons why a partnership may be dissolved.

1

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2

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3

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4

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[4]

Additional information

The following information is available on dissolution of partnership.

1
Mira, Sasha and Peta
Statement of financial position at 31 January 2019

	\$
Assets	
Non-current assets	
Fixtures and fittings	45 200
Motor vehicles	22 000
	<u>67 200</u>
Current assets	
Inventory	20 600
Trade receivables	42 800
	<u>63 400</u>
Total assets	<u>130 600</u>
Capital and liabilities	
Capital accounts	
Mira	45 500
Sasha	42 800
Peta	14 000
	<u>102 300</u>
Current liabilities	
Trade payables	26 400
Bank overdraft	1 900
	<u>28 300</u>
Total capital and liabilities	<u>130 600</u>

- 2 Sasha took a motor vehicle at an agreed valuation of \$4500. The remaining non-current assets were sold for \$64 300.
- 3 Inventory was sold for \$19 800.
- 4 Received \$40 500 from trade receivables.
- 5 Trade payables were paid \$26 000.
- 6 The costs of dissolution were \$3700.

Mira, Sasha and Peta

Capital accounts

Details	Mira \$	Sasha \$	Peta \$	Details	Mira \$	Sasha \$	Peta \$

(d) Prepare the final bank account to show the closure of the partnership.

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..... [2]

(e) Suggest **two** reasons why the trade receivables did **not** pay the full amount they owed.

1

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2

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..... [2]

[Total: 15]

- 3 Noor, a sole trader, was preparing her business’s financial statements for the year ended 31 December 2018.

The following information is available.

At 1 January 2018

	\$
General expenses prepaid	480

During the year ended 31 December 2018

	\$
General expenses paid	12 400
Insurance premiums paid	6 480
Rent received	5 460

At 31 December 2018

- 1 General expenses, \$1210, were due but unpaid.
- 2 Insurance premiums paid included \$630 covering the six months ended 31 January 2019.
- 3 Rent receivable of \$1200 for the three months ended 28 February 2019 had not yet been received.
- 4 Inventory had been valued at a cost of \$11 400. However, it included several damaged items which had a selling price of \$840. All goods are sold with a mark-up of 50%. The damaged items could be sold but would require repairs costing \$360.

REQUIRED

- (a) Calculate the amount to be recorded in the income statement for the year ended 31 December 2018 for each of the following items.

(i) General expenses

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..... [3]

(ii) Insurance

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..... [1]

(iii) Rent receivable

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.....
..... [1]

(iv) Closing inventory

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..... [3]

Additional information

Noor’s policy is to maintain a provision for doubtful debts at 5% of trade receivables at the end of the financial year.

REQUIRED

(b) State **two** accounting concepts which are applied when recording a provision for doubtful debts.

1
2 [2]

Additional information

Included in the allocated fixed overheads is rental of machinery at a cost of \$100 000 a year. This cost is allocated 75% to Product A and 25% to Product B.

The directors are now considering two options.

Option 1: Continue with the existing machinery rental on the same terms.

Option 2: Taking out a new rental agreement for new machinery. The new rental agreement would consist of a fixed fee of \$28 000 a year plus \$4 for each unit produced. The fixed fee would be split across the products in the same proportions as under the current agreement.

REQUIRED

(b) Complete the following table to show the effect of Option 2.

	Product A	Product B	Total
Revised unit contribution			
Revised allocated total fixed overheads, total for the year			
Revised budgeted profit for the year			
Workings:			

[9]

(e) State **two** other uses of marginal costing to a business.

1

.....

2

..... [2]

[Total: 30]

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