

Cambridge  
International  
AS & A Level

**Cambridge International Examinations**  
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE  
NAME

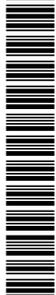
CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ACCOUNTING**

**9706/22**

Paper 2 Structured Questions

**May/June 2015**

**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 **15** printed pages and **1** blank page.



**Additional information**

- 1 For the year ended 31 December 2014:  
    Credit sales \$193 400  
    Cash sales \$15 180
- 2 Trade payables at 31 December 2014 were \$21 590.
- 3 All sales are made at 30% gross profit margin.

**REQUIRED**

**(b)** Calculate the following for the year ended 31 December 2014.

**(i)** Sales revenue

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..... [1]

**(ii)** Purchases

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..... [1]

**(c)** Calculate the value of closing inventory at 31 December 2014.

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..... [3]





- 2 Kim, a sole trader, provided the following statement.

Statement of financial position at 30 September 2014

	\$
Non-current assets	
Motor vehicles	100 000
Equipment	80 000
Fixtures and fittings	<u>172 000</u>
	<u>352 000</u>
Current assets	
Inventory	105 000
Trade receivables	<u>343 000</u>
	<u>448 000</u>
Total assets	<u>800 000</u>
Capital and liabilities	
Opening capital	600 000
Add profit for the year	<u>80 000</u>
	680 000
Less Drawings	<u>88 000</u>
	<u>592 000</u>
Current liabilities	
Trade payables	192 000
Bank overdraft	<u>16 000</u>
	<u>208 000</u>
Total capital and liabilities	<u>800 000</u>

Additional information

- 1 On 1 October 2014 Kim admitted Chan as a partner.
- 2 Goodwill was valued at \$120 000 but will not remain in the books of the partnership.
- 3 The profit sharing ratio was agreed at Kim 60% and Chan 40%.
- 4 Chan agreed to pay a cheque of \$160 000 to the partnership. In addition he introduced equipment valued at \$325 000 and inventory valued at \$26 000.





(c) State **three** advantages to Kim of forming a partnership.

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[3]

**Additional information**

Kim has provided for doubtful debts at a rate of 2%.

Chan would like to change the existing rate of the provision to 5%.

**REQUIRED**

(d) Explain why this change might be necessary.

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[5]

- (e) Calculate the difference in the provision for doubtful debts if the existing rate had changed to 5%.

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..... [2]

- (f) State how this change would affect the partnership's income statement and statement of financial position.

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..... [2]

**[Total: 30]**



- 3 Kapoor Limited is a company which has **two** production departments, machining and finishing, and **two** service departments, maintenance and canteen. The following information is available.

The forecast overheads for the year ending 31 March 2015 were as follows.

	\$
Power	32 000
Machine depreciation	28 400
Supervision	28 000
Rent and rates	26 000
Buildings insurance	11 000
Light and heat	9 000

The following additional information is available.

	Machining	Finishing	Maintenance	Canteen
Number of employees	16	24	8	–
Floor area (square metres)	12 000	14 000	3 000	1 000
Net book value of machinery (\$)	140 000	25 000	13 000	2 000
Kilowatt hours	6 000	3 000	2 000	1 000
Maintenance department hours	66%	34%	–	–

**REQUIRED**

- (a) Apportion the forecast overheads to the **four** departments and re-apportion the service departments' costs to production departments using a suitable basis for each.

	Basis	Total \$	Machining \$	Finishing \$	Maintenance \$	Canteen \$
Power						
Machine depreciation						
Supervision						
Rent and rates						
Buildings insurance						
Light and heat						
Total apportioned overheads						
Reapportionment of canteen						
Subtotal						
Reapportionment of maintenance						
Total						

[10]

**Additional information**

The following information for the year is also provided.

	Machining	Finishing	Maintenance	Canteen
Budgeted machine hours	58 000	8 000	4 000	–
Budgeted direct labour hours	26 000	42 000	12 000	–

**REQUIRED**

(b) Calculate an appropriate overhead absorption rate for **each** production department to **two** decimal places.

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..... [4]

**Additional information**

The actual results for the year ended 30 March 2015 were as follows.

	Machining	Finishing
Factory overheads	\$82 436	\$56 980
Direct labour hours	27 410	41 295
Direct machine hours	56 120	7 310

**REQUIRED**

(c) Calculate the under absorption or over absorption of overheads for **each** production department.

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..... [4]

(d) State **two** reasons for the under absorption or over absorption of overheads, calculated in part (c), for **each** department.

Machining reason 1 .....

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Machining reason 2 .....

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Finishing reason 1 .....

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Finishing reason 2 .....

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[4]

(e) Explain why estimated figures are used to calculate overhead absorption rates.

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[3]

