



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.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[6]

(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

.....  
.....  
.....

[3]

(ii) net realisable value.

.....  
.....  
.....

[3]

**[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.



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

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[5]

**(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.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[6]

For  
Examiner's  
Use

Jackie and Kim provided the following accounting ratios:

For  
Examiner's  
Use

	Year ended 30 April 2011	Year ended 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.

1 .....

.....

.....

.....

2 .....

.....

.....

.....

..... [4]

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

1 .....

.....

.....

.....

2 .....

.....

.....

.....

..... [4]

**[Total: 30]**



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

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.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[5]



- (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.

*For  
Examiner's  
Use*

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[7]

- (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.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[5]

