



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

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

\* 0 8 5 8 8 6 1 4 5 8 \*

**ACCOUNTING**

**9706/22**

Paper 2 Structured Questions

**October/November 2009**

**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.  
 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 **14** printed pages and **2** blank pages.



- 1 The following is a summary of Harry's balance sheet at 30 April 2008.

|   | \$000      | \$000       |
|---|------------|-------------|
| <b>Assets</b>                             |            |             |
| Fixed assets                              |            |             |
| Furniture and equipment at net book value |            | 208         |
| Current assets                            |            |             |
| Stock                                     | 1500       |             |
| Debtors                                   | 610        |             |
| Cash                                      | <u>6</u>   | <u>2116</u> |
| Total assets                              |            | <u>2324</u> |
| <b>Equity and liabilities</b>             |            |             |
| Equity                                    |            |             |
| Owner's capital                           |            | 1096        |
| Current liabilities                       |            |             |
| Creditors for supplies                    | 920        |             |
| Creditors for expenses                    | 98         |             |
| Bank overdraft                            | <u>210</u> | <u>1228</u> |
|   |            | <u>2324</u> |

**The following information is available for the year ended 30 April 2009:**

|   |  |       |
|---|--|-------|
| 1 Amount paid into bank   |  | \$000 |
| (This included \$50 000 from the sale of furniture and equipment which had a net book value of \$48 000.)   |  | 2950  |
| 2 Cash from Harry's sales was used to pay for the following:  |  |       |
| Expenses  |  | 152   |
| Drawings  |  | 70    |
| 3 Amounts paid from the bank:   |  |       |
| Purchases   |  | 1750  |
| Interest on overdraft   |  | 30    |
| Expenses  |  | 810   |
| 4 Balances at 30 April 2009:  |  |       |
| Creditors for supplies  |  | 510   |
| Creditors for expenses  |  | 90    |
| Debtors   |  | 400   |
| Stock   |  | 720   |
| Cash  |  | 5     |
| 5 During the year, Harry brought into the business a motor vehicle.   |  | 12    |
| 6 A provision for doubtful debts of 4% of debtors is to be made.  |  |       |
| 7 Depreciation on all fixed assets was to be provided for at 25% using the reducing (diminishing) balance method. Full depreciation would be provided for in the year in which an asset was introduced but none would be applied in the year of disposal. |  |       |

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**REQUIRED**

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**(a)** Explain, **briefly**, the difference between a liability and a provision.

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**(b)** Calculate, showing **all** workings, the total sales for the year ended 30 April 2009.

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**Question 2 is on the following page.**

- 2 Alex's fixed asset accounts and provision for depreciation on fixed asset accounts for the year ended 30 April 2008 were as follows:

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|          |             | Furniture and equipment account                               |          |               |              |
|----------|-------------|---|----------|---------------|--------------|
|          |             | \$000   |          |               | \$000        |
| 2007     |             |   | 2007     |               |              |
| 1 May    | Balance b/d | 2 700   | 5 July   | Disposal      | 450          |
| 3 June   | Bank        | 720   | 2008     |               |              |
|          |             | <u>3 420</u>  | 30 April | Balance c/d   | <u>2 970</u> |
|          |             |   |          |               | <u>3 420</u> |
| 2008     |             |   |          |               |              |
| 1 May    | Balance b/d | 2 970   |          |               |              |
|          |             |   |          |               |              |
|          |             | Provision for depreciation on furniture and equipment account |          |               |              |
|          |             | \$000   |          |               | \$000        |
| 2007     |             |   | 2007     |               |              |
| 5 July   | Disposal    | 345   | 1 May    | Balance b/d   | 945          |
| 2008     |             |   | 2008     |               |              |
| 30 April | Balance c/d | <u>897</u>  | 30 April | Profit & loss | <u>297</u>   |
|          |             | <u>1 242</u>  |          |               | <u>1 242</u> |
|          |             |   | 1 May    | Balance b/d   | 897          |
|          |             |   |          |               |              |
|          |             | Motor vehicles account  |          |               |              |
|          |             | \$000   |          |               | \$000        |
| 2007     |             |   | 2007     |               |              |
| 1 May    | Balance b/d | 1 560   | 3 Oct    | Disposal      | 330          |
| 3 Oct    | Bank        | 570   | 2008     |               |              |
|          |             | <u>2 130</u>  | 30 April | Balance c/d   | <u>1 800</u> |
|          |             |   |          |               | <u>2 130</u> |
| 2008     |             |   |          |               |              |
| 1 May    | Balance b/d | 1 800   |          |               |              |
|          |             |   |          |               |              |
|          |             | Provision for depreciation on motor vehicles account          |          |               |              |
|          |             | \$000   |          |               | \$000        |
| 2007     |             |   | 2007     |               |              |
| 3 Oct    | Disposal    | 285   | 1 May    | Balance b/d   | 675          |
| 2008     |             |   | 2008     |               |              |
| 30 April | Balance c/d | <u>840</u>  | 30 April | Profit & loss | <u>450</u>   |
|          |             | <u>1 125</u>  |          |               | <u>1 125</u> |
|          |             |   | 1 May    | Balance b/d   | 840          |



**ALTERNATIVE PRESENTATION USING RUNNING BALANCE**For  
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|        |             | Furniture and equipment account |       |          |
|--------|-------------|---------------------------------|-------|----------|
|        |             | Dr                              | Cr    | Balance  |
| 2007   |             | \$000                           | \$000 | \$000    |
| 1 May  | Balance b/d |                                 |       | 2 700 Dr |
| 3 June | Bank        | 720                             |       | 3 420    |
| 5 July | Disposal    |                                 | 450   | 2 970    |

|          |                 | Provision for depreciation on furniture and equipment account |       |         |
|----------|-----------------|---|-------|---------|
|          |                 | Dr  | Cr    | Balance |
| 2007     |                 | \$000   | \$000 | \$000   |
| 1 May    | Balance b/d     |   |       | 945 Cr  |
| 5 July   | Disposal        | 345   |       | 600     |
| 2008     |                 |   |       |         |
| 30 April | Profit and loss |   | 297   | 897     |

|       |             | Motor vehicles account |       |          |
|-------|-------------|------------------------|-------|----------|
|       |             | Dr                     | Cr    | Balance  |
| 2007  |             | \$000                  | \$000 | \$000    |
| 1 May | Balance b/d |                        |       | 1 560 Dr |
| 3 Oct | Disposal    |                        | 330   | 1 230    |
|       | Bank        | 570                    |       | 1 800    |

|        |                 | Provision for depreciation on motor vehicles account |       |         |
|--------|-----------------|--|-------|---------|
|        |                 | Dr   | Cr    | Balance |
| 2007   |                 | \$000  | \$000 | \$000   |
| 1 May  | Balance b/d     |  |       | 675 Cr  |
| 3 Oct  | Disposal        | 285  |       | 390     |
| 2008   |                 |  |       |         |
| 30 Apr | Profit and loss |  | 450   | 840     |

During the year ended 30 April 2009 the following transactions took place:

- On 1 June 2008 new equipment was purchased for \$540 000.  
On 3 December 2008 new furniture was purchased for \$80 000.  
On 3 September 2008 equipment which had been purchased on 31 March 2006 for \$300 000 was sold for \$132 000.
- On 1 February 2009 three new motor vehicles were purchased for \$80 000 each. On the same date a vehicle which had cost \$56 000 on 15 May 2005 was sold for \$20 000.

A full year's depreciation is provided for on all fixed assets in use at the end of the financial year but none is provided for in the year of disposal of a fixed asset.

The rates of depreciation applied on cost for the year ended 30 April 2008 continue to be applied for the year ended 30 April 2009.

**REQUIRED**

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**(a)** Prepare the following accounts for the year ended 30 April 2009:

**(i)** Furniture and equipment

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..... [5]

**(ii)** Motor vehicles

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**(iii)** Provision for depreciation on furniture and equipment

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..... [4]

(iv) Provision for depreciation on motor vehicles

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..... [4]

(v) Disposal of furniture and equipment

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(vi) Disposal of motor vehicles.

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**Question 3 is on the following page.**

- 3 Cariokae Ltd is a specialist manufacturer of steel rods for use in the construction industry. The company has three different machines each of which is capable of producing the rods. When a company receives a new order it has to decide which of the three machines to use.

Data regarding the machines is as follows:

| MACHINE                                  | A     | B     | C     |
|--|-------|-------|-------|
| Set-up costs per order                   | \$200 | \$330 | \$600 |
| Number of rods produced per machine-hour | 100   | 150   | 200   |
| Number of machine operators              | 4     | 5     | 6     |

Variable factory overhead for each machine is \$12 per direct labour hour.  
Direct material needed to produce 100 rods is \$300, whichever machine is selected.  
Machine operators are paid \$10.50 per hour.

**REQUIRED**

- (a) Order P235 has been received for 3000 rods.  
(i) Calculate the costs of producing order P235 on **each** machine.

| DATA FOR ORDER P235        | MACHINE   |           |           |
|----------------------------|-----------|-----------|-----------|
|                            | A         | B         | C         |
| Order quantity             |           |           |           |
| Production rates per hour  |           |           |           |
| Operating hours            |           |           |           |
| Number of operators        |           |           |           |
| Direct labour hours worked |           |           |           |
| <b>COSTS FOR P235</b>      | <b>\$</b> | <b>\$</b> | <b>\$</b> |
| Direct materials           |           |           |           |
| Direct labour              |           |           |           |
| Variable overheads         |           |           |           |
| Set up costs               |           |           |           |
| Total costs                |           |           |           |

[13]



(c) (i) State how your advice to the production manager should differ if the additional operator is employed.

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(ii) State whether the additional operator should be retained for each machine.  
Explain your reasoning.

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..... [2]

**[Total: 30]**

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