

CANDIDATE  
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CENTRE  
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## ACCOUNTING

**9706/23**

## Paper 2 Structured Questions

October/November 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 **13** printed pages and **3** blank pages.

- 1 Anton, a sole trader, does not keep proper books of account. He supplies the following information for the year ended 30 September 2015.

|                                   | 1 October 2014 | 30 September 2015 |
|-----------------------------------|----------------|-------------------|
|                                   | \$             | \$                |
| Office fixtures at net book value | 9 500          | 8 600             |
| Delivery vehicles                 |                |                   |
| Cost                              | 15 700         | ?                 |
| Accumulated depreciation          | 4 600          | ?                 |
| Trade payables                    | 12 670         | 13 460            |
| Trade receivables                 | 10 500         | 9 670             |
| Rent payable owing                | 1 500          | 2 400             |
| Cash                              | 980            | 445               |
| Inventory                         | 24 640         | 40 800            |
| Bank                              | 2 400 Credit   | ?                 |

Summary of Anton's bank account is as follows.

#### Bank Account Summary

|                                | \$      |
|--------------------------------|---------|
| Receipts                       |         |
| Receipts from credit customers | 153 300 |
| Cash sales banked              | 12 900  |
| Sale of delivery vehicle       | 5 400   |
| Payments                       |         |
| Payments to credit suppliers   | 118 900 |
| Wages                          | 17 800  |
| Rent                           | 8 500   |
| Electricity                    | 7 540   |
| General expenses               | 4 630   |
| Purchase of delivery vehicle   | 13 600  |

#### Additional information

- The inventory at 30 September 2015 was valued at selling price. Anton applies a mark up of 50%.
- During the year a delivery vehicle which had cost \$9000 on 1 October 2012 was sold for \$5400.
- Delivery vehicles are depreciated at 20% per annum using the reducing balance method. Depreciation is charged in the year of purchase but not in the year of sale.
- Anton took cash drawings of \$600 per month before the cash sales were banked but has not recorded these. He also took goods for his own use which had a sales value of \$2763.
- Total cash sales were \$20 476.
- There are unrecorded delivery vehicle expenses not accounted for.

## REQUIRED

**(a)** Prepare Anton's income statement for the year ended 30 September 2015.

[16]

**(b)** Prepare a statement of financial position at 30 September 2015.

[illegible]

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..... [8]

### Additional information

Anton is not sure if he will recover all trade receivables due and has been advised to set up a provision for doubtful debts. He plans to write off a bad debt of \$750 and set up a provision for doubtful debts at 4%.

### REQUIRED

(c) Calculate the effect these adjustments would have on his profit.

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(d) Explain why he should include the provision for doubtful debts in his accounts.

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..... [3]

[Total: 30]

- 2 Tania and Sue are in partnership. The following balances have been taken from their books of account at 31 January 2015.

|                              | \$      |
|------------------------------|---------|
| Revenue                      | 163 400 |
| Insurance                    | 13 260  |
| Wages                        | 6 500   |
| Rent received                | 10 400  |
| Rates paid                   | 9 500   |
| Provision for doubtful debts | 174     |
| Office expenses              | 28 200  |
| Capital                      |         |
| Tania                        | 120 000 |
| Sue                          | 80 000  |

Additional information

- 1 On 31 January 2015, insurance prepaid amounted to \$6400 and wages accrued amounted to \$8500.
- 2 Rent received is for the period 1 February 2014 to 28 February 2015.
- 3 Office expenses include \$470 for use of Tania's home telephone.
- 4 The provision for doubtful debts is to be maintained at 3% of trade receivables. On 31 January 2015 the trade receivables totalled \$7800.
- 5 Fixtures and fittings are depreciated at 10% per annum using the straight-line method. Fixtures and fittings cost \$7500.
- 6 Motor vehicles cost \$60 000. Accumulated depreciation at 31 January 2014 was \$35 000. No vehicles were bought or sold during the year. Vehicles are depreciated at 20% using the reducing balance method.
- 7 Computer equipment was valued at \$5700 on 1 February 2014. A new computer costing \$1800 was purchased during the year. There were no sales of computer equipment during the year. On 31 January 2015 the computer equipment was valued at \$6200.

## REQUIRED

**(a)** Prepare the partnership's income statement for the year ended 31 January 2015.

[11]

### Additional information

On 1 February 2014 the balance on Tania's current account was \$5000 (credit).

On 31 January 2015, the balance on her current account was \$71 068 (credit). She withdrew \$5000 during the year.

The partnership agreement provides for the following:

- 1 Partners are permitted to withdraw up to a maximum of 5% of capital invested.
- 2 Interest on drawings is charged at a rate of 7% on the annual drawings.
- 3 Interest on capital is payable at 4% per year.
- 4 Tania receives a salary of \$1450 per month.
- 5 Profits and losses are shared in the ratio of capital invested.

### REQUIRED

- (b) Prepare Tania's current account for the year ended 31 January 2015 to identify her share of profit for the year.

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- (c) State **four** possible causes of depreciation of non-current assets.

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(d) State and explain **two** accounting concepts that apply to depreciation.

- 1 .....
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- .....
- 2 .....
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- ..... [4]

(e) State why the reducing balance method of depreciation is more appropriate for non-current assets like motor vehicles.

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- ..... [4]

[Total: 30]

- 3 Tellwright Limited started trading on 1 January 2015. It produced two products, the Mynor and the Hanbridge. After three months of trading the following information was available.

|                           | Mynor                   | Hanbridge                  |
|---------------------------|-------------------------|----------------------------|
| Units produced            | 800                     | 600                        |
| Units sold                | 700                     | 400                        |
| Direct materials per unit | 2 kilos at \$6 per kilo | 3 kilos at \$5 per kilo    |
| Direct labour per unit    | 4 hours at \$9 per hour | 4.5 hours at \$10 per hour |
| Selling price per unit    | \$90                    | \$120                      |

### REQUIRED

- (a) Complete the following table to show the **total** direct cost incurred for **each** product in the three month period ended 31 March 2015.

|                  | Mynor<br>\$ | Hanbridge<br>\$ |
|------------------|-------------|-----------------|
| Direct materials |             |                 |
| Direct labour    |             |                 |
| Total            |             |                 |

[4]

### Additional information

In addition to the two production departments there was also a sales and administration department.

Data relating to the three departments were as follows.

|   | Mynor   | Hanbridge | Sales and<br>administration |
|---|---------|-----------|-----------------------------|
| Floor area (square metres)                    | 2 500   | 2 000     | 500                         |
| Power usage (kilowatt hour)                   | 12 000  | 15 000    | 3 000                       |
| Non-current assets (cost at start of trading) | \$9 000 | \$8 000   | \$3 000                     |

Following information is also available.

- The factory supervisor is paid \$23 600 a year. His time is spent in proportion to the direct labour hours worked in each production department.
- The lease specifies that the rent is \$50 000 a year.
- The invoice for power used in the first three months of trading amounted to \$6000.
- Depreciation is charged at a rate of 20% per annum on cost.
- Sales and administration costs amounted to \$13 550 for the three months. These are regarded as fixed costs by the business.
- No inventory of raw materials is kept.
- Inventory of finished goods is valued on the basis of absorption cost.

**REQUIRED**

- (b) Complete the following table to value inventory by allocating overhead costs across the three departments for the three months ended 31 March 2015. (Where there is no allocated cost enter a zero.)

|                          | Total<br>\$ | Mynor<br>\$ | Hanbridge<br>\$ | Sales and<br>administration<br>\$ |
|--------------------------|-------------|-------------|-----------------|-----------------------------------|
| Supervisor's salary      |             |             |                 |                                   |
| Rent                     |             |             |                 |                                   |
| Power                    |             |             |                 |                                   |
| Depreciation             |             |             |                 |                                   |
| Sales and administration |             |             |                 |                                   |
| Total                    |             |             |                 |                                   |

[7]

- (c) Complete the following table to show the value of inventory of **each** product at 31 March 2015.

|                              | Mynor<br>\$ | Hanbridge<br>\$ |
|------------------------------|-------------|-----------------|
| Value per unit               |             |                 |
| Number of units in inventory |             |                 |
| Total value of inventory     |             |                 |

[6]

**Question 3(d) is on the next page.**

(d) Prepare the manufacturing account for the three months ended 31 March 2015.

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..... [6]

**(e)** Prepare the income statement for the three months ended 31 March 2015.

[7]

**[Total: 30]**





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