



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

r apor 2 or aor	tarea gassions		1 hour 30 minutes		
Paper 2 Struct	tured Questions		May/June 2012		
ACCOUNTING	G		9706/21		
CENTRE NUMBER		CANDIDATE NUMBER			
CANDIDATE NAME					

READ THESE INSTRUCTIONS FIRST

No Additional Materials are required.

Candidates answer on the Question Paper.

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		
1		
2		
3		
Total		

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>
	820	<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.

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REQUIRED

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(a) Prepare, in columnar format, a departmental income statement for the year ended 30 April 2012.

chaca oo Api		Dept \$000	Clothin	g Dept \$000	Toys Dept \$000 \$000		
_	\$000	\$000	\$000	\$000	\$000	\$000	

(b)	Exp Ala	plain how the preparation of a departmental income statement might assist na in managing the business.				
			[6]			
(c)	Ala	na's accountant values some inventory at cost of purchase and some at				
	net	realisable value.				
	Exp	plain these terms to Alana:				
	(i) cost of purchase					
			[3]			
	(ii)	net realisable value.				
	(11)	riet realisable value.				
			[0]			
			[3]			
		[Total:	301			
		L. Sam.	4			

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For Examiner's Use 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

	\$	\$	\$
Non-current assets at net book value Premises Fixtures and fittings			120 000 72 000 192 000
Current assets Inventory Trade receivables Bank	30 000 20 000 <u>16 000</u>	66 000	
Current liabilities Trade payables Wages accrued	12 000 <u>1 000</u>	13 000	
Net current assets Net assets			<u>53 000</u> <u>245 000</u>
Capital accounts Jackie Kim		141 000 <u>94 000</u>	235 000
Current accounts Jackie Kim		6 000 <u>4 000</u>	10 000 245 000

Maura is a long-term employee of the partnership. Her current annual salary is \$16 500.

She recently inherited a sum of \$60000 and is considering an invitation from Jackie and Kim to invest \$50000 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.
- 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.
- 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.

REQUIRED

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(a)	Prepare an estimated profit and loss appropriation account for the year ended 30 April 2013, assuming Maura accepts the invitation to join the partnership.
	[11]

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(b)	Prepare Maura's current account for the year ended 30 April 2013.		For Examiner's Use
		[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]	

Jackie and Kim provided the following accounting ratios:

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[Total: 30]

			Year ended 30 April 2011	Year ended 30 April 2012	
		ige of gross profit to sales ige of net profit to sales	21% 10%	24% 11%	
REQ	UIRE	ED .			
(d) Suggest two reasons for the change in the percentage of gross profit to sal					
	1				
	2				
					[4]
(e)	Su	ggest two reasons for the change	e in the percentage of	net profit to sales.	
	1				
	2				
					[4]

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

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The company provides the following forecast data for the year ending 30 April 2013:

Forecast demand (units)	Beach 30 000	Explorer 40 000	Family 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.			

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	(ii)	Calculate the total contribution and profit for the year based on forecast demand.	
			[5]
	e is o red qu	nly one supplier capable of producing waterproof tent material of the ality.	
-		informed Blue Skies Ltd that the maximum amount they can supply in the 546 000 square metres.	
REQ	JIRED		
(b)	Calcı	ulate the contribution per square metre for each product produced.	
	•••••		
			[3]

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(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]	

(e)	The directors determine that at least 27 000 units of the Beach tent have to be produced in the coming year.	
	Prepare a revised marginal cost statement to show the contribution made by each type of tent and total profit made in the year.	
		[5]

[Total: 30]

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