



Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE
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NUMBER

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ACCOUNTING

9706/22

Paper 2 Structured Questions

October/November 2014

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 The following information relates to the business of Nother Limited.

| Trial Balance at 31 March 2014 | | |
|--------------------------------|-------------|-------------|
| | Dr | Cr |
| | \$000 | \$000 |
| Share capital | | 1500 |
| Factory premises at cost | 1000 | |
| Factory machinery at cost | 280 | |
| Provisions for depreciation: | | |
| Premises | | 250 |
| Machinery | | 140 |
| Inventories at 1 April 2013: | | |
| Raw materials | 360 | |
| Work in progress | 210 | |
| Finished goods | 432 | |
| Revenue | | 5054 |
| Purchases of raw materials | 1896 | |
| Manufacturing wages | 1250 | |
| Factory expenses | 780 | |
| Administrative expenses | 80 | |
| Sales expenses | 416 | |
| Retained earnings | | 196 |
| Trade receivables and payables | 840 | 240 |
| Provision for doubtful debts | | 36 |
| Bank overdraft | | 144 |
| Bad debts written off | <u>16</u> | |
| | <u>7560</u> | <u>7560</u> |

Additional information

| | | |
|----------|---------------------------------|---------|
| 1 | Inventories at 31 March 2014 | \$ |
| | Raw materials | 300 000 |
| | Work in progress | 220 000 |
| | Finished goods | 480 000 |
| 2 | Other payables at 31 March 2014 | \$ |
| | Factory expenses | 112 000 |
| | Sales expenses | 56 000 |
| | Manufacturing wages | 40 000 |
| 3 | Prepayments at 31 March 2014 | \$ |
| | Administrative expenses | 8 000 |

(c) Explain the following terms.

Direct costs

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..... [2]

Indirect costs

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..... [4]

Prime cost

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Production cost

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..... [2]

[Total: 30]

(c) Prepare the partnership appropriation account for the six months ended 30 June 2014.

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[7]

- 3 Aluko Limited manufactures three products for the automobile industry, BS100, BS200 and BS300.

The business is divided into four departments – machining, assembly, stores and canteen.

The following information is available for one unit of the three products.

| | BS100 | BS200 | BS300 |
|---|------------|------------|------------|
| Direct materials | \$12.60 | \$14.10 | \$18.80 |
| Direct labour hours – machining (\$7.80 per hour) | 30 minutes | 50 minutes | 55 minutes |
| Direct labour hours – assembly (\$6.30 per hour) | 10 minutes | 12 minutes | 15 minutes |
| Machine hours – machining | 20 minutes | 30 minutes | 30 minutes |
| Machine hours – assembly | 5 minutes | 5 minutes | 10 minutes |

The total estimated overhead costs for the year ended 30 June 2015 are as follows:

| | \$ |
|------------------------|---------|
| Indirect wages | 232 000 |
| Machinery maintenance | 94 000 |
| Machinery insurance | 9 020 |
| Rent and rates | 49 600 |
| Buildings insurance | 12 800 |
| Machinery depreciation | 26 600 |

The following information is also available.

| | Machining | Assembly | Stores | Canteen |
|------------------------------|-----------|----------|--------|---------|
| Number of indirect employees | 8 | 16 | 4 | 2 |
| Floor area (sq metres) | 8 000 | 9 000 | 2 000 | 1 000 |
| Value of machinery (\$000) | 290 | 120 | | |
| Number of orders from stores | 6 300 | 1 300 | | |
| Budgeted labour hours | 7 720 | 28 600 | | |
| Budgeted machine hours | 46 400 | 3 200 | | |
| Use of canteen | 30% | 55% | 15% | |

REQUIRED

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

| | Total \$ | Machining \$ | Assembly \$ | Stores \$ | Canteen \$ |
|----------------------------|-------------|-----------------|----------------|--------------|---------------|
| Indirect wages | | | | | |
| Machinery maintenance | | | | | |
| Machinery insurance | | | | | |
| Rent and rates | | | | | |
| Buildings insurance | | | | | |
| Machinery depreciation | | | | | |
| | | | | | |
| Reapportionment of canteen | | | | | |
| | | | | | |
| Reapportionment of stores | | | | | |
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[8]

(b) Calculate appropriate absorption rates for **each** production department correct to **two** decimal places.

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Additional information

The actual results for the year were as follows:

| | Machining | Assembly |
|----------------------|------------------|-----------------|
| Factory overheads | \$239 110 | \$192 860 |
| Direct labour hours | 8 420 | 28 150 |
| Direct machine hours | 49 120 | 3 050 |

REQUIRED

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

| | Machining \$ | Assembly \$ |
|--|-----------------|----------------|
| | | |
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[4]

(d) Explain the reason for the over or under absorption of overheads calculated for **each** production department in part (c).

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Additional information

Aluko Limited has been asked to prepare a quotation for a customer requiring 250 units of BS200. The company requires a 35% gross profit on **each** order.

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