

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/22

Paper 2 Structured Questions

October/November 2016

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 **15** printed pages and **1** blank page.

(f) (i) Discuss **two** possible sources of finance which could be used to fund the purchase of the additional non-current assets.

1

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2

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..... [6]

(ii) Recommend the most appropriate source of finance for the partnership. Justify your answer.

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..... [2]

[Total: 30]

Additional information

The directors of Rebuild Limited made a bonus issue of ordinary shares on 30 June 2016. The basis of the issue was one ordinary share for every twenty-five ordinary shares held. The company policy is to leave reserves in their most flexible form.

The profit for the 6 months ended 30 June 2016 was \$25 000.

REQUIRED

(b) Prepare the statement of changes in equity for the 6 months ended 30 June 2016.

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..... [4]

(c) State **two** differences between ordinary shares and debentures.

1

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..... [4]

Additional information

The following item appears on the statement of financial position of Rebuild Limited at 31 December 2015:

6% debentures (2018–2020) \$60 000

REQUIRED

(d) State the significance of (2018–2020).

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..... [1]

(e) State why an issue of debentures does **not** appear in the statement of changes in equity.

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..... [1]

[Total: 15]

Question 3 is on the next page.

- 3 Contador, a sole trader, has provided the following extract from the trial balance for the year ended 31 March 2015. He does not maintain control accounts as part of his accounting records.

	\$	
Debit balances	112 375	
Credit balances	120 835	

REQUIRED

- (a) (i) State the use of a suspense account.

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.....
..... [1]

- (ii) State **three** advantages to a business of maintaining a sales ledger control account.

1
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2
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3
..... [3]

Additional information

The following errors have been identified:

- 1 The sales journal had been overcast by \$26 350.
- 2 Motor expenses of \$5270 had been posted to the motor vehicles account. Motor vehicles had been depreciated at 20% per annum.
- 3 Interest received of \$8945 had been debited to both the bank account and the interest received account.

- 4 Rodriguez Limited is a manufacturing business producing two products, Product X and Product Y. The following budgeted information is available for the next month:

	Product X	Product Y
Budgeted production (units)	5000	7000
Costs per unit:	\$	\$
Materials	12.50	10.75
Labour	18.40	27.60
Variable overheads	9.10	6.65
Fixed overheads	5.75	4.80

Additional information

- 1 Both products are sold with a 20% mark-up on marginal cost.
- 2 Direct labour is paid at a rate of \$4.60 per hour.

REQUIRED

(a) Calculate for each product

(i) unit contribution in dollars,

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..... [2]

(ii) total direct labour hours required to meet budgeted production.

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..... [2]

Additional information

The company has two possible options to enable it to achieve the budgeted production.

Option 1 Pay existing staff overtime. This will be paid at a rate of \$5.75 per hour.

Option 2 Buy in the required products from an external supplier at a cost of \$50 per unit.

REQUIRED

(c) (i) Evaluate the options available to the company to achieve the budgeted production.

Support your answers with calculations.

Option 1

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Option 2

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..... [10]

(ii) Recommend which option the company should choose. Justify your answer.

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..... [3]

(d) (i) State **three** advantages of budgetary control.

1
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2
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3
..... [3]

(ii) State **three** disadvantages of budgetary control.

1
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2
.....
3
..... [3]

[Total: 30]

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