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

ACCOUNTING

Paper 2  Structured Questions (Core)

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 in the spaces provided on the Question Paper.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer all questions.
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.
You may use a calculator.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.
Stick your personal label here, if provided.

For Examiner’s Use

<p>| | |</p>
<table>
<thead>
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<td>3</td>
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<td>Total</td>
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</table>

This document consists of 12 printed pages.
The Gala Golf Club’s accounts included the following balances.

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets (net book value)</td>
<td>$85,600</td>
<td>$119,680</td>
</tr>
<tr>
<td>Amounts owed by the Club</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages – maintenance staff</td>
<td>$2,060</td>
<td>$2,500</td>
</tr>
<tr>
<td>– café</td>
<td>$760</td>
<td>$840</td>
</tr>
<tr>
<td>Electricity</td>
<td>$220</td>
<td>$260</td>
</tr>
<tr>
<td>Rent</td>
<td>$1,440</td>
<td>$1,640</td>
</tr>
<tr>
<td>Creditors – maintenance</td>
<td>$3,040</td>
<td>$4,200</td>
</tr>
<tr>
<td>– café</td>
<td>$760</td>
<td>$700</td>
</tr>
<tr>
<td>Stock – café</td>
<td>$420</td>
<td>$370</td>
</tr>
<tr>
<td>Subscriptions due and unpaid</td>
<td>$31,800</td>
<td>$33,200</td>
</tr>
</tbody>
</table>

20% of the cost of electricity and rent is charged to the café.

The Receipts and Payments Account for the year ended 31 December 2002 was as follows.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
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</thead>
<tbody>
<tr>
<td>Balance b/d</td>
<td>32,400</td>
<td>Wages – maintenance</td>
</tr>
<tr>
<td>Café takings</td>
<td>110,800</td>
<td>Wages – café</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>313,600</td>
<td>Equipment</td>
</tr>
<tr>
<td>Sale of grasscutter</td>
<td>2,000</td>
<td>Fixtures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maintenance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Electricity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rent</td>
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<tr>
<td></td>
<td></td>
<td>Purchases for café</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balance c/d</td>
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</tbody>
</table>

The grasscutter had been bought in 1999 for $4,000. Depreciation is calculated at 20% per annum on a straight line basis and is applied in the year of purchase but not in the year of sale. Show all workings.

REQUIRED

(a) Calculate the Accumulated Fund at 1 January 2002.
(b) Prepare the Café Trading Account for the year ended 31 December 2002.

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(c) Prepare the Club Income and Expenditure Account for the year ended 31 December 2002.

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(d) Prepare the Club Balance Sheet as at 31 December 2002.

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(e) (i) State two accounting methods of treating donations received by the Club.

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(ii) Distinguish between a Receipts and Payments Account and an Income and Expenditure Account.

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.................................................................................................................................[4]
Dougal and Florence, who have been in partnership for many years, decided to retire and dissolve the partnership on 30 September 2003. Profits and Losses were shared in the ratio of the partners' Capital account balances, which were fixed at Dougal $80 000 and Florence $40 000. The partnership Balance Sheet at 30 September 2003 was as follows.

<table>
<thead>
<tr>
<th>Fixed assets (net book values)</th>
<th>$</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>104 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>35 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>26 000</td>
<td>165 000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>10 500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>17 230</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>950</td>
<td>28 680</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Current liabilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors</td>
<td>9 230</td>
<td>19 450</td>
<td>184 450</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital accounts</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dougal</td>
<td>80 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florence</td>
<td>40 000</td>
<td>120 000</td>
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</table>

<table>
<thead>
<tr>
<th>Current accounts</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dougal</td>
<td>14 430</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florence</td>
<td>(2 580)</td>
<td>11 850</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan from Dougal</th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td></td>
<td>52 600</td>
<td></td>
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</thead>
<tbody>
<tr>
<td></td>
<td>184 450</td>
<td></td>
<td></td>
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</table>

The partnership ceased trading on 30 September 2003 and the assets were realised as follows.

<p>| | | | |</p>
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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>100 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>37 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One motor vehicle</td>
<td>15 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The remaining motor vehicle was</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>taken by Dougal at an agreed</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>valuation of</td>
<td></td>
<td></td>
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<tr>
<td>Stocks</td>
<td>9 500</td>
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<td>5 200</td>
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</tbody>
</table>

All debts were collected and banked except for bad debts totalling $900.
Discounts allowed amounted to $200.
Creditors were paid in full.
Dissolution expenses of $1200 were paid by cheque.
Dougal's loan was repaid from the bank account.
Partners' Current account balances were transferred to their Capital accounts.
REQUIRED

Prepare the following accounts for the month of October 2003.

(a) Dissolution (Realisation) account.

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(b) Partners’ Current accounts, in columnar form.

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(c) Partners’ Capital accounts, in columnar form

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(d) The partnership Bank account.

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(e) Discuss three problems which may arise in a partnership but would not occur in a limited company.

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Darnick Holdalls Ltd manufacture three types of high quality hand-made cases, Small, Medium and Large. These are manufactured in two departments, the cutting department and the stitching department. There are also two service departments, maintenance and canteen. The estimated data for the year ending 31 December 2004 is as follows.

<table>
<thead>
<tr>
<th>Estimated production (units)</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine hours required per unit</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Unit selling price</td>
<td>125</td>
<td>140</td>
<td>155</td>
</tr>
<tr>
<td>Unit prime costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct materials</td>
<td>30</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>Direct labour – cutting department</td>
<td>17</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Direct labour – stitching department</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

**Estimated overheads for the year ending 31 December 2004**

<table>
<thead>
<tr>
<th></th>
<th>Cutting</th>
<th>Stitching</th>
<th>Maintenance</th>
<th>Canteen</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Space costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$90 000</td>
</tr>
<tr>
<td>Depreciation of Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$200 000</td>
</tr>
<tr>
<td>Allocated overheads</td>
<td>$44 200</td>
<td>$47 600</td>
<td>$15 000</td>
<td>$18 000</td>
<td>$124 800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$414 800</td>
</tr>
</tbody>
</table>

**Additional information**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor area (sq metres)</td>
<td>5 000</td>
<td>6 000</td>
<td>2 000</td>
<td>2 000</td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td>12</td>
<td>9</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Cost of equipment</td>
<td>$700 000</td>
<td>$850 000</td>
<td>$250 000</td>
<td>$200 000</td>
<td></td>
</tr>
</tbody>
</table>

**REQUIRED**

(a) Use the grid below to prepare an overhead analysis sheet for the year ending 31 December 2004 detailing overheads for the cutting and stitching departments. Canteen costs are shared among all the other departments on the basis of number of employees. Maintenance costs are shared between the production departments on the basis of 70% to stitching and 30% to cutting.
(b) Calculate the overhead recovery rate for

(i) the cutting department, based on direct wages;
(ii) the stitching department, based on machine hours.

Show all workings.

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[6]

(c) Give reasons for the two different methods used in (b).

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(d) Calculate the total unit cost of one Medium case.