Partnership Final Accounts

Prepared by D. El-Hoss

For Examiner's Use

2 Titus and Ronicus entered into partnership on 1 October 2003. Their partnership agreement contained the following information:

1 Interest on partners' capital accounts to be credited at 5% on the year end balance.
2 Interest on partners' cash drawings to be charged at 5% on the year end balance.
3 The Profit or Loss sharing ratio to be in the same ratio as the agreed values of the businesses transferred to the partnership, ie Titus, $45 000 and Ronicus, $30 000.
4 Ronicus is to be credited with a partnership salary of $20 000 per annum.
5 Capital accounts and Current accounts to be maintained for each partner.
6 A Goodwill account is not maintained in the firm's books.
7 The following assets and liabilities were transferred to the partnership with effect from 1 October 2003:

	Titus	Ronicus
	$	$
Fixtures and fittings	20 000	5 000
Motor vehicles	10 000	6 000
Stock		14 000
Debtors		4 700
Creditors		2 600

REQUIRED

(a) Prepare the partners' Capital accounts for the year ended 30 September 2004, in columnar format.

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For Examiner's Use

The following information was extracted from the partnership accounts for the year ended 30 September 2004.

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Net profit for the year		56 000
Partners' drawings –	Titus	9 000
	Ronicus	5 000

Both partners had taken goods for their own use from the business, Titus, $600, and Ronicus, $450, at cost. This had not been taken into account in the partnership books.

REQUIRED

(b) Prepare the Partnership Profit and Loss Appropriation account for the year ended 30 September 2004.

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For Examiner's Use

(c) Prepare the partners' Current accounts for the year ended 30 September 2004, in columnar format.

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For Examiner's Use

1 John, Georgina and Paul are in partnership but have no written partnership agreement. The partners wish to expand the partnership, and require additional funds.

Their capital accounts at 1 May 2005 were as follows.

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John	60 000
Georgina	45 000
Paul	45 000

Under the existing circumstances, profit of $67 500 is anticipated for the year ended 30 April 2006. There are two options for expanding the business, either of which is acceptable to all three partners. The selected option would take effect from 1 May 2005.

The two options are:

(i) Borrow $75 000 from the bank at 12% interest per annum. The bank would require repayment of $6750 at the end of each financial year, in addition to interest.
A manager would have to be employed at a wage of $15 000 per annum and profits should increase by $27 000 before taking into account bank interest and the manager's salary.

(ii) Bring Ringo in as a partner. He would take on the role of manager and would provide $75 000 of capital. Ringo would join the partnership, provided an agreement was drawn up requiring interest on capital to be paid at 7.5% per annum.
Remaining profits would be split in the ratio 3:3:2:2, with John and Ringo receiving the larger shares. Goodwill would be ignored and net profit would increase by $27 000.

REQUIRED

(a) For the year ended 30 April 2006, calculate the profit to be received by each partner under option (i).

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For Examiner's Use

(b) For the year ending 30 April 2006, calculate the amount to be received by each partner under option (ii).

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(c) Make a brief comparison of options (i) and (ii).

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[Total: 30]

For Examiner's Use

1 Henry and Robin are in partnership with capitals of $120 000 and $80 000 respectively.

On 1 June 2010 Henry had a debit balance on his current account of $6 600 and Robin had a credit balance on his current account of $1 000.

On 31 May 2011 Henry had a credit balance on his current account of $10 400.

The partnership agreement stated:

1 Interest on capital is payable at 8% per annum.

2 The maximum drawings permitted in any one year is 10% of capital invested.

3 Interest on drawings is charged at 5% on total drawings for the year.

4 Annual partnership salaries were Henry: $5 000 and Robin: $4 000.

5 Profits and losses are to be shared in the ratio of capital invested.

Both partners withdrew the maximum amount permitted during the year.

REQUIRED

(a) Prepare the current account of each partner for the year ended 31 May 2011.

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For Examiner's Use

2 Robbie and Liza are in partnership with capitals of $90 000 and $60 000 respectively.

The following information is available for the year ended 30 April 2011.

Revenue	$240 000
Inventory (30 April 2011)	$9 000
Gross profit as a percentage of turnover	35%
Inventory turnover	12 times
Expenses ratio	15%

All purchases and sales of inventory are on credit.

REQUIRED

(a) Prepare a detailed income statement (profit and loss account) showing gross profit and profit for the year (net profit) for the year ended 30 April 2011.

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For Examiner's Use

On 1 May 2010 the current account balances were Robbie $5000 (credit) and Liza $2000 (debit).

The partnership agreement provides for the following:

1 Partners are permitted to withdraw up to a maximum of 20% of capital invested.

2 Interest is charged on drawings at 8% per year.

3 Interest on capital is payable at 5% per year.

4 Liza is to receive a salary of $1250 per month.

5 Profits and losses are shared in the ratio of capital invested.

Both partners withdrew the maximum amount of drawings permitted during the year.

REQUIRED

(b) Prepare the appropriation account of the partnership for the year ended 30 April 2011.

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For Examiner's Use

At 30 April 2011 Robbie and Liza had a debit balance in the bank column of their cash book of $12 000. Their bank statement, however, showed that the partnership had $9000 in the bank at that date.

On comparing the cash book with the bank statement the following differences were found:

1 Bank charges of $250 appeared in the bank statement but had not been entered in the cash book.

2 Cheques received from customers amounting to $3750 had been entered in the cash book but had not been credited by the bank.

3 A cheque for $600 received from a debtor had been entered in the cash book but had been returned by the bank marked 'insufficient funds for payment'.

4 Cheques issued by the business amounting to $1600, recorded in the cash book, did not appear in April's bank statement.

REQUIRED

(c) (i) Update Robbie and Liza's cash book for the month of April 2011.

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(ii) Prepare a bank reconciliation statement at 30 April 2011 to reconcile the bank statement balance with the updated cash book balance.

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Centre Number	Candidate Number

Candidate Name _____

CAMBRIDGE INTERNATIONAL EXAMINATIONS

General Certificate of Education
Advanced Subsidiary Level and Advanced Level

ACCOUNTING 9706/2

PAPER 2 Structured Questions (Core)

OCTOBER/NOVEMBER SESSION 2002

1 hour 30 minutes

Candidates answer on the question paper.
No additional materials are required.

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper. If you require extra space for your answers or workings, use page 9.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.

You may use a calculator.

FOR EXAMINER'S USE	
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TOTAL	

This question paper consists of 11 printed pages and 1 lined page.

SPA (SC/KS) S18227/4

UNIVERSITY of CAMBRIDGE
Local Examinations Syndicate

[Turn over

Prepared by D. El-Hoss

For Examiner's Use

1 Dellow and Coucom are in partnership in a business which has three retail departments, Television, Computing and Telephones. The following balances were extracted from the business accounts at 30 April 2002:

		Dr	Cr
		$	$
Purchases and Sales	Television	120 000	214 000
	Computing	220 000	428 000
	Telephones	40 000	107 000
Wages		56 000	
Stocks at 1 May 2001	Television	8 000	
	Computing	19 000	
	Telephones	3 000	
Sales staff salaries		147 000	
General expenses		5 000	
Office salaries		35 000	
Advertising		14 000	
Rent		40 000	
Electricity		9 000	
Insurance		5 000	
Motor Vehicles at cost		45 000	
Furniture & Fittings at cost		30 000	

NOTES
The following must now be taken into consideration.

Stocks at 30 April 2002:	Television	$17 000
	Computing	$40 000
	Telephones	$5 000

Stock-taking is computerised and is based solely on sales and purchases – no physical stock check has been taken.

Accruals at 30 April 2002:	General expenses	$2 000
	Electricity	$1 000
	Rent	$2 000

Number of sales staff employed	Television	3
	Computing	4
	Telephones	1

Commission is paid to sales staff at 1% of Sales.

Depreciation is charged to Motor Vehicles and Furniture & Fittings at 20% per annum on cost.

Floor space (square metres)	Television	2 000
	Computing	2 500
	Telephones	500

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For Examiner's Use

Expenses are apportioned as follows:

Expense	Basis of apportionment
Wages	Sales
General expenses	Sales
Office salaries	Sales
Sales staff salaries	Number of sales staff
Advertising	Sales
Rent and rates	Floor area
Electricity	Floor area
Insurance	Floor area
Depreciation	Equally between departments

Dellow and Coucom share profits in the ratio of their Capital accounts, which at 1 May 2001 were:
Dellow: $60 000 Coucom: $40 000.
Interest on capital is payable at 1% of opening capital.
Cash drawings for the year were Dellow, $15 000 and Coucom, $4 000.
Interest is chargeable on drawings at 2% of total drawings for the year.
Coucom is paid a Partnership salary of $7 600.
During the year Coucom took from stock for her own use a Television costing $1 000. No entries were made for this in the accounts.

(a) Prepare, in columnar format, Departmental Trading and Profit and Loss Accounts for the year ended 30 April 2002.

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For Examiner's Use

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(b) Prepare the Partnership Appropriation Account for the year ended 30 April 2002.

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For Examiner's Use

(c) It has been suggested that any department that is making a loss should be closed. Comment on this suggestion.

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2 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.

		$	$	$
Fixed assets (net book values)				
Buildings		104 000		
Fixtures and fittings		35 000		
Motor vehicles		26 000		165 000
Current assets				
Stock		10 500		
Debtors		17 230		
Bank		950	28 680	
Current liabilities				
Creditors			9 230	19 450
				184 450
Capital accounts	Dougal	80 000		
	Florence	40 000		120 000
Current accounts	Dougal	14 430		
	Florence	(2 580)		11 850
Loan from Dougal				52 600
				184 450

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

	$
Buildings	100 000
Fixtures and fittings	37 000
One motor vehicle	15 000
The remaining motor vehicle was taken by Dougal at an agreed valuation of	9 500
Stocks	5 200

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.

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For Examiner's Use

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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For Examiner's Use

(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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For Examiner's Use

3 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.

	Small	Medium	Large
Estimated production (units)	10 000	9 000	4 400
Machine hours required per unit	3	4	5
	$	$	$
Unit selling price	125	140	155
Unit prime costs			
Direct materials	30	35	40
Direct labour – cutting department	17	18	20
Direct labour – stitching department	5	6	7

Estimated overheads for the year ending 31 December 2004

	Cutting	Stitching	Mainten-ance	Canteen	Total
Space costs					$90 000
Depreciation of Equipment					$200 000
Allocated overheads	$44 200	$47 600	$15 000	$18 000	$124 800
					$414 800
Additional information					
Floor area (sq metres)	5 000	6 000	2 000	2 000	
Number of employees	12	9	4	5	
Cost of equipment	$700 000	$850 000	$250 000	$200 000	

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.

Overheads	Cutting $	Stitching $	Maintenance $	Canteen $

[17]

For Examiner's Use

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

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For Examiner's Use

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

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Centre Number	Candidate Number	Name

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

ACCOUNTING **9706/02**

Paper 2 Structured Questions

October/November 2004

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 in the spaces provided on the Question Paper.
You may use a soft pencil for 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	
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This document consists of **11** printed pages and **1** blank page.

SP (SJF2965) S53063/4

UNIVERSITY of CAMBRIDGE International Examinations

[Turn over

For Examiner's Use

1 Fred Sinatra set up business on 1 April 2003 selling watches from a market stall.

Fred has asked you to calculate his profit for the year ended 31 March 2004 using the following information.

(i) All sales were made for cash. Payments were made by cheque unless otherwise stated.
(ii) Opening capital was $17 600 which was paid into a bank account opened on 1 April 2003.
(iii) The bank balance on 31 March 2004 was $2120 Dr.
(iv) Fred's purchases for the year totalled $33 120, but on analysing this figure it was found to include $2000 paid for secure display cabinets and $800 for petrol for Fred's motor car. The remainder was for the purchase of watches for resale.
(v) Fred bought a motor car to be used in the business for $5750.
(vi) Rent of $60 per month had been paid from cash sales.
(vii) Drawings of $100 per week were taken from cash sales.
(viii) Motor car expenses for the year cost $515.
(ix) Fred kept a petty cash float of $100.
(x) Fred's pricing policy was cost plus 75%.
(xi) The motor car and display units are both to be depreciated over five years on a straight-line basis, with no residual value. A full year's depreciation is applied in the year of purchase.

REQUIRED

(a) Prepare Fred's bank account for the year ended 31 March 2004.

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For Examiner's Use

(b) Calculate Fred's total sales for the year ended 31 March 2004.

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(c) Calculate Fred's stock at 31 March 2004.

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For Examiner's Use

(d) Prepare Fred's Trading and Profit and Loss Account for the year ended 31 March 2004.

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For Examiner's Use

(e) State **five** advantages or disadvantages of limited liability companies over sole traders or partnerships.

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For Examiner's Use

1 Frank and Ernest have been in partnership for some years, sharing profits and losses in the ratio 2 : 1. The partnership Balance Sheet at 31 January 2006 was as follows:

Balance Sheet at 31 January 2006

		$	$	$
Fixed Assets at Net Book Value				
Motor vehicles			58 200	
Equipment			35 400	
Fixtures and fittings			39 000	132 600
Goodwill				10 000
				142 600
Current Assets				
Stock		64 000		
Trade debtors		45 600		
Bank		19 200	128 800	
Amounts due within 1 year				
Trade creditors			22 400	
Net current assets				106 400
				249 000
Capital accounts	Frank	80 000		
	Ernest	120 000		200 000
Current accounts	Frank	35 400		
	Ernest	13 600		49 000
				249 000

Frank and Ernest, who had been renting business premises, accepted an offer by Devious to move to his premises on 1 February 2006 on condition that he would be accepted into the partnership on that date.

Additional information:

1 The new partnership commenced on 1 February 2006 with Frank, Ernest and Devious sharing profits and losses in the ratio 2 : 1 : 1.

2 The new partnership took ownership of Devious's premises on 1 February 2006 at a valuation of $196 000.

3 Goodwill was revalued at 1 February 2006 at $30 000 but would not be shown in the balance sheet in the future.

4 Equipment was revalued at $34 100 on 1 February 2006.

5 Stock at 1 February 2006 was valued at $63 000.

6 Current Accounts will remain separate.

For Examiner's Use

REQUIRED

(a) (i) Prepare the partnership Goodwill account at 1 February 2006 following the amendments.

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(ii) Prepare the partnership Revaluation account at 1 February 2006 following the amendments.

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For Examiner's Use

(iii) Prepare Capital accounts for Frank, Ernest and Devious, in columnar format.

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For Examiner's Use

(iv) Prepare the Balance Sheet of Frank, Ernest and Devious at 1 February 2006.

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For Examiner's Use

(b) Discuss the treatment of Goodwill in partnership accounts, with particular reference to retiring and incoming partners.

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[Total: 30]

For Examiner's Use

1 Killim and Jaro are in partnership sharing profits in the ratio of 2 : 1 respectively. Interest of 5 % per annum is allowed on capital and 4 % is charged on total drawings for the year.

The following are the partnership balances at 30 September 2007, after completion of the trading account.

	$
Gross profit	61 400
General expenses	9 100
Rent, rates and insurance	1 215
Discount allowed	2 010
Discount received	1 910
Wages	14 150
Bank interest (Cr)	1 320
Premises at cost	73 500
Fixtures at valuation	13 100
Debtors	20 200
Creditors	27 842
Bank deposit account	60 000
Bank current account (Cr)	1 400
Stock at 30 September 2007	51 200
Drawings – Killim	12 200
Drawings – Jaro	14 100
Capital account – Killim	120 000
Capital account – Jaro	55 000
Current account – Killim (Cr)	3 050
Current account – Jaro (Dr)	1 147

Additional information at 30 September 2007:

Depreciation on fixtures is provided for at 25 % per annum using the reducing balance method. Jaro is credited with a salary of $20 000 per annum.
Wages prepaid amounted to $450.
Insurance accrued amounted to $300.

For Examiner's Use

REQUIRED

(a) Prepare a profit and loss and appropriation account for the year ended 30 September 2007.

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For Examiner's Use

(b) Prepare Jaro's current account for the year ended 30 September 2007.

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The partnership has recently purchased new premises and needs new equipment costing over $100 000.

REQUIRED

(c) Identify **two** methods of raising extra finance and state **one** advantage and **one** disadvantage of each method.

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[Total: 30]

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Question 2 is on the following page

For Examiner's Use

2 Gabriel is a sole trader who keeps the minimum of accounting records. His bank balance on 1 October 2006 was $7400 and debtors owed him $5010. For the year ended 30 September 2007 his records showed the following:

	$
Payments by cheque:	
Van purchased on 1 October 2006	6 800
Electricity	2 400
Van maintenance	250
General expenses	2 620
Purchase of stock for resale	182 600
Paid in to bank:	
Shop takings	273 200
Receipts from debtors	3 040

At 1 October 2006 Gabriel stopped all credit sales as debtors were not paying on time thus affecting his cash flow. Amounts still owed by debtors at 30 September 2007 were to be considered bad debts.

All shop takings for the year were paid into the bank with the exception of the following, which were paid from shop takings.

	$
General expenses	1 100
Wages	12 000
Drawings	1 200 per calendar month
Petrol for van	80 per calendar month

At 30 September 2007 $21 200 was owed for purchases.
Stock at 1 October 2006 was valued at $22 000.
Stock at 30 September 2007 was valued at $31 250.
Depreciation on the van is provided for at 25 % per annum, reducing balance.

REQUIRED

(a) Calculate Gabriel's sales for the year ended 30 September 2007.

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For Examiner's Use

(b) Prepare Gabriel's trading and profit and loss accounts for the year ended 30 September 2007.

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For Examiner's Use

(c) Calculate the following to **two** decimal places:

(i) Gross profit as a percentage of sales;

(ii) Net profit as a percentage of sales;

(iii) Rate of stockturn in **weeks.**

(i) .....

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(ii) .....

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(d) Explain briefly **one** use of accounting ratios.

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[Total: 30]

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Question 3 is on the following page

For Examiner's Use

3 Newstead Furniture Ltd produces **three** types of wooden bench – single-seat, two-seat and three-seat. These are manufactured in two departments, Assembly and Finishing. There are also two service departments, Canteen and Maintenance.

Estimated data for the year ended 31 December 2007 is as follows:

	Single-seat	Two-seat	Three-seat
	$	$	$
Unit selling price	80	100	120
Unit production costs			
Direct materials	18	25	28
Direct labour – Assembly	20	13	14
Direct labour – Finishing	3	4	5
Estimated production in units	12 000	10 000	5 000
Machine hours per unit	2	3	4

Estimated overheads for the year ending 31 December 2007 are as follows:

	Assembly	Finishing	Maintenance	Canteen	Total
	$	$	$	$	$
Space costs					55 000
Depreciation of Equipment					120 000
Allocated Overheads	28 100	30 200	9 400	11 000	78 700
					253 700

Additional information:

Floor area (square metres)	3 000	3 800	2 000	2 200
Number of employees	10	9	6	5
Cost of equipment	$175 000	$200 000	$100 000	$125 000

For Examiner's Use

REQUIRED

(a) Use the table below to prepare an overhead analysis sheet for the year ending 31 December 2007 detailing overheads for the Assembly and Finishing departments. Canteen costs are shared amongst all other departments on the basis of the number of employees. Maintenance costs are shared between the Assembly and Finishing departments on the basis of 60 % Assembly and 40 % Finishing.

Newstead Furniture Ltd	Assembly	Finishing	Maintenance	Canteen
	$	$	$	$
Allocated overheads	.....	.....	.....	.....
Space costs	.....	.....	.....	.....
Depreciation	.....	.....	.....	.....
Canteen	.....	.....	.....	.....
Maintenance	.....	.....	.....	.....
Total	.....	.....	.....	.....

[17]

(b) Calculate, correct to **two** decimal places, the overhead recovery rate for:

(i) the Assembly department, based on direct wages;

(ii) the Finishing department, based on machine hours.

(i) Assembly department

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For Examiner's Use

(ii) Finishing department

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(c) State the reason for using different methods of calculating the overhead recovery rate in **(b)**.

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(d) Calculate, to **two** decimal places, the total cost of **one** two-seat bench.

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[Total: 30]

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

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER				

* 0 4 8 0 6 0 2 3 9 3 *

ACCOUNTING **9706/02**

Paper 2 Structured Questions **October/November 2008**

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 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.
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	
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Total	

This document consists of **13** printed pages and **3** blank pages.

For Examiner's Use

1 Lee, Kim and Michael are in partnership. They share profits in the ratio of 3:2:1 respectively. They do not keep proper accounting records but the following information is available for the three years ended 30 September 2008.

Balances at 30 September	2006	2007	2008
	$	$	$
Fixed assets at valuation	750 000	870 000	1 200 000
Stocks	660 000	690 000	825 000
Debtors	390 000	420 000	495 000
Creditors	346 000	404 000	448 000
Bank overdrafts	285 000	255 000	375 000

On 1 October 2005 the balances (all credit) on the partners' accounts were as follows.

	Lee	Kim	Michael
	$	$	$
Capital accounts	240 000	210 000	150 000
Current accounts	190 000	50 000	80 000

In order to finance a new project, each partner introduced additional capital of $60 000 on 1 October 2007.

The partners' drawings were as follows.

For the year ended 30 September	2006	2007	2008
	$	$	$
Lee	45 000	70 000	105 000
Kim	42 000	48 000	105 000
Michael	36 000	30 000	8 000

Michael also received a partnership salary which he withdrew in cash. This was not included in the drawings figure shown above. His salary was $45 000 in 2006; $60 000 in 2007 and $65 000 in 2008.

REQUIRED

For Examiner's Use

(a) Calculate the **total** net profit available to the partners for **each** of the three years ended 30 September 2006, 2007, 2008.

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(b) Prepare Michael's capital and current accounts for **each** of the three years ended 30 September 2006, 2007 and 2008.

For Examiner's Use

Capital account – Michael

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Current account - Michael

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(c) Explain, briefly, why partnerships may keep both capital accounts and current accounts.

For Examiner's Use

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[Total: 30]

For Examiner's Use

1 Rahul and Shivam are in partnership. The partnership agreement provides that:

1 Rahul contributes two-thirds and Shivam one-third of the capital which is fixed.

2 Profits and losses are to be shared in the ratio of capital contributed.

3 Partners are to be credited with interest on capital at 10 % per annum.

4 Partnership salaries are to be credited to Rahul, $25 000, and Shivam, $30 000.

5 There will be no interest charged on drawings.

All transactions are made through the bank.

The following is a summary of the partnership bank account for the year ended 31 March 2009.

	$	$
Bank balance at 1 April 2008		5 000
Cheques received from debtors		805 000
		810 000
Cheques paid to creditors	600 000	
Electricity	25 000	
Rent and rates	34 000	
Insurance	14 500	
General expenses	14 000	
New vehicles	60 000	
Drawings Rahul	25 000	
Shivam	30 000	802 500
Bank balance at 31 March 2009		7 500

On 1 April 2008 the partnership current account balances were:

Rahul	$15 500 Cr
Shivam	$500 Dr

The following information is also available:

	1 April 2008	31 March 2009
	$	$
Stock	45 000	48 000
Trade debtors	52 000	63 000
Prepaid rent and rates	3 000	2 000
Vehicles at net book value	40 000	80 000
Fixtures and fittings at net book value	30 000	28 000
Electricity owing	5 000	6 000
Trade creditors	35 000	41 000

For Examiner's Use

1A James and Gemma are in partnership. They have provided the following information.

A balance sheet extract at 31 December 2008 showed the following balances:

	$
Capital Accounts	
James	90 000
Gemma	60 000
Current Accounts	
James	12 000 (Cr)
Gemma	9 000 (Cr)
Inventory (stock)	6 300
Non-current (fixed) assets at cost	204 000
Loan	45 000

The partnership agreement provides for:
Interest on capital at 8% per annum.
No interest on drawings
A salary to Gemma of $6000 a year
Profits and losses to be shared equally

On 1 July 2009 James introduced a further $25 000 to increase his fixed capital. This money was used to purchase additional non-current (fixed) assets on that date.

At 31 December 2009 the following information was available for the partnership.

	$
Revenue (sales) 1 January 2009 – 30 June 2009	90 000
Revenue (sales) 1 July 2009 – 31 December 2009	150 000
Ordinary goods purchased (purchases) 1 January 2009 – 30 June 2009	70 000
Ordinary goods purchased (purchases) 1 July 2009 – 31 December 2009	104 000

Additional information

1 Mark up was 50% on cost.

2 Total expenses for the year were $25 525.
These included depreciation on non-current (fixed) assets at 5% per annum (charged on cost for each proportion of the year) and the interest on the loan at 6% per annum.

The remaining expenses were split equally for each half of the year.

3 There are no accruals or prepayments at the end of the year.

4 Drawings for the year were:

	$
James	15 200
Gemma	18 300

REQUIRED

For Examiner's Use

(a) Assuming each month is of equal length prepare the income statement (profit and loss account) and appropriation account for

(i) the six month period ended 30 June 2009.

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(ii) the six month period ended 31 December 2009.

For Examiner's Use

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For Examiner's Use

(b) Prepare the current accounts in columnar form for both partners for the year ended 31 December 2009.

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(c) State **three** advantages for James and Gemma of trading as a partnership rather than as sole traders.

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For Examiner's Use

1 Carl and Daniel are in partnership. Their partnership agreement provides that:

1 Daniel has a partnership salary of $3000 per annum

2 Interest on capital is 6% per annum

3 Interest on drawings is charged

4 Residual profits / losses are shared 3:2 respectively.

The partners have never kept full accounting records but provided the following information:

Cash book summary for the year ended 31 December 2010

	$		$
Balance b/d	2 178	Trade payables	195 911
Trade receivables	44 049	Wages	63 156
Cash sales	332 467	Purchase of machine	8 800
Rent received	7 000	General expenses	56 676
		Drawings – Carl	35 660
		Drawings – Daniel	26 480

The assets and liabilities were:

	1 January 2010	31 December 2010
	$	$
Fixed capital account – Carl	100 000Cr	100 000Cr
Fixed capital account – Daniel	70 000Cr	70 000Cr
Current account – Carl	3 210Cr	?
Current account – Daniel	1 304Cr	?
Machinery (Net Book Value)	147 000	145 000
Motor vehicle (Net Book Value)	16 000	8 000
Inventory	14 003	13 471
Trade receivables	317	183
Trade payables	4 872	5 163
Wages accrued	612	938
Rent receivable accrued	500	–
Rent receivable prepaid	–	500

Additional information:

1. During the year, an old machine which had cost $10 000 was traded in for $3200 in part exchange for a new machine costing $12 000. The old machine had been depreciated by $6000 over its lifetime.

2. Interest on drawings for the year amounted to:
   Carl – $230
   Daniel – $100

REQUIRED

For Examiner's Use

(a) Prepare the income statement (trading and profit and loss account) **and** appropriation account for Carl and Daniel for the year ended 31 December 2010.

For Examiner's Use

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(b) Prepare the partners' current accounts (in columnar format) for the year ended 31 December 2010.

For Examiner's Use

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[Total: 30]

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			120 000
Fixtures and fittings			72 000
			192 000
Current assets			
Inventory	30 000		
Trade receivables	20 000		
Bank	16 000		
		66 000	
Current liabilities			
Trade payables	12 000		
Wages accrued	1 000		
		13 000	
Net current assets			53 000
Net assets			245 000
Capital accounts			
Jackie		141 000	
Kim		94 000	235 000
Current accounts			
Jackie		6 000	
Kim		4 000	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 $60 000 and is considering an invitation from Jackie and Kim to invest $50 000 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.

5 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.

6 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.

For Examiner's Use

REQUIRED

(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.

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For Examiner's Use

(b) Prepare Maura's current account for the year ended 30 April 2013.

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(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.

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For Examiner's Use

Jackie and Kim provided the following accounting ratios:

	Year ended 30 April 2011	Year ended 30 April 2012
Percentage of gross profit to sales	21%	24%
Percentage of net profit to sales	10%	11%

REQUIRED

(d) Suggest **two** reasons for the change in the percentage of gross profit to sales.

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(e) Suggest **two** reasons for the change in the percentage of net profit to sales.

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[Total: 30]

2 The following statement of financial position of Mhairi, a sole trader, was drawn up at 30 April 2012.

Statement of Financial Position at 30 April 2012

	$	$	$
Non-current assets			
Equipment			232 000
Fixtures and fittings			160 000
			392 000
Current assets			
Inventory	86 000		
Trade receivables	16 000	102 000	
Current liabilities			
Trade payables	38 000		
Bank	14 000	52 000	
Net current assets			50 000
			442 000
Financed by			
Capital			400 000
Add Profit for the year			86 000
			486 000
Less Drawings			44 000
			442 000

Additional information:

1 On 1 May 2012 Mhairi admitted Aiden as a partner.

2 The profit sharing ratio between Mhairi and Aiden was agreed at 3:2.

3 Aiden agreed to pay a cheque to the partnership for $200 000 and bring in vehicles valued at $94 000 and inventory valued at $26 000.

4 It was agreed that goodwill be valued at 2 times the average net profit earned over the past 4 years. Goodwill is not to be retained in the books.

The following figures were available:

Year ended 30 April	Net sales income $	Net profit percentage %
2009	200 000	6
2010	400 000	8
2011	500 000	8
2012	860 000	10

REQUIRED

For Examiner's Use

(a) Calculate the value of the goodwill.

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(b) Prepare the capital accounts of Mhairi and Aiden after the admission of Aiden as a partner.

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(c) Prepare the statement of financial position of the new partnership at 1 May 2012.

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(d) Outline **four** advantages to Mhairi of forming a partnership with Aiden.

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[Total: 30]