

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

**ACCOUNTING****9706/02**

Paper 2 Structured Questions

May/June 2006

**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.

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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<b>Total</b>	

This document consists of **14** printed pages and **2** blank pages.









(c) (i) Calculate the current ratio at 30 April 2006 to **two** decimal places.

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(ii) Calculate the acid test (quick) ratio at 30 April 2006 to **two** decimal places.

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(iii) Explain the uses of these two ratios, using Peter Jordan plc as an example.

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**[Total: 30]**

- 2 The Netherdale Sports Club's Receipts and Payments Account shows the following transactions for the year ended 30 April 2006.

	\$		\$
RECEIPTS		PAYMENTS	
Balance b/d	20 000	National club fees	3 000
Subscriptions	72 000	Restaurant supplies	51 000
Restaurant takings	108 000	Purchase of clubhouse	50 000
Annual dance	8 900	Loan interest	2 200
Sale of equipment	6 000	Purchase of equipment	14 000
Loan to purchase clubhouse	20 000	Restaurant wages	22 000
		Repairs and maintenance	12 400
		Annual dance	4 950
		Administration of annual dance	320
		Electricity	11 000
		General wages	60 000
		Balance c/d	<u>4 030</u>
	<u>234 900</u>		<u>234 900</u>
Balance b/d	4 030		

When the club's bank statements for the year ended 30 April 2006 were studied, the following were discovered.

- (i) Bank interest of \$100 for the year had been credited in the bank statement but no entry appeared in the receipts and payments account.
- (ii) Electricity was paid by direct debit at \$1000 per month but the entry for January 2006 had been omitted from the receipts and payments account.
- (iii) \$4000 had been banked for restaurant takings on 30 April 2006. This had been entered in the receipts and payments account but did not appear on the bank statement.
- (iv) A cheque for \$2800 for repairs and maintenance, posted on 29 April 2006, was included in the receipts and payments account but had not yet been presented to the bank for payment.

**REQUIRED**

**(a) (i)** Update the Netherdale Sports Club's Receipts and Payments Account.

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**(ii)** Prepare a bank reconciliation statement at 30 April 2006 to reconcile the bank statement with the updated receipts and payments balance.

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Additional information:

- (i) Net book value of the equipment owned on 1 May 2005 was \$56 000 and the equipment sold during the year ended 30 April 2006 had a net book value of \$4000.
- (ii) Depreciation on equipment is provided at 20 % reducing (diminishing) balance, with a full year's depreciation written off in the year of purchase and none in the year of sale.
- (iii) The club's other assets and liabilities were as follows:

	1 May 2005	30 April 2006
	\$	\$
Restaurant stock	7 600	9 400
Creditors for restaurant supplies	4 400	5 200
Subscriptions in arrears	-	1 800
Subscriptions in advance	2 000	1 400
Fixtures and fittings	21 400	20 800

There were no purchases or sales of fixtures and fittings during the year.

**REQUIRED**

- (b) (i) Prepare a Restaurant Trading Account for the year ended 30 April 2006. Depreciation, repairs and maintenance and electricity are **not** to be included in this account.

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- 3 Hoi Poloi plc makes 3 types of filing cabinet, four-drawer, three-drawer and two-drawer. The business uses general purpose machines which are equally suitable to be used in the manufacture of all three products.

Data for the year ended 30 April 2005 was as follows:

	four drawer \$	three drawer \$	two drawer \$
Total sales	410 400	123 900	427 500
Total variable costs	304 000	88 500	285 000
Allocated fixed costs	98 000	48 000	135 000
Profit (Loss)	8 400	(12 600)	7 500

It had been proposed that the three-drawer cabinet be discontinued, as it was making a loss.

**REQUIRED**

- (a) State whether this proposal should have been agreed, giving your reasons.

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Sales and cost data for the year ended 30 April 2006 were as follows:

	four drawer	three drawer	two drawer
Sales in units	15 000	6 000	30 000
Raw materials	\$12	\$8	\$4
Variable overheads	\$3	\$2	\$2
Unit contribution	\$7	\$6	\$5
Machine hours per unit	0.5	0.5	0.4
Machine operators are paid \$10 per hour.			
Allocation of fixed costs	\$98 000	\$48 000	\$135 000

**REQUIRED**

**(b)** Calculate the selling price per unit for each product.

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**(c)** Calculate for **each** product the break-even point in both units and sales value.

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