

Centre Number	Candidate Number	Name
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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education  
Advanced Subsidiary Level and Advanced Level

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

Paper 2 Structured Questions

October/November 2005

**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**

1

2

3

**Total**

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



- 1 The following balances had been extracted from the books of O'Riley and Co plc on 1 May 2004.

	\$
Premises at cost	520 000
Equipment at cost	200 000
Provision for depreciation on premises	104 000
Provision for depreciation on equipment	128 000
Stock	75 000
Debtors	50 000
Creditors	41 000
Provision for doubtful debts	1 000
Dividends due	16 800
Issued and fully paid-up capital	
Ordinary shares of \$0.50 each	150 000
6% Preference shares of \$1 each	80 000
5% debentures 2010	100 000
8% loan repayable 2008	25 000
Share premium	80 000
General reserve	75 000
Retained profit	87 200
Bank	?

### REQUIRED

- (a) Calculate the bank balance at 1 May 2004.

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The following transactions took place during the year ended 30 April 2005:

	\$
Purchases	380 000
Sales	605 000
Returns outwards	10 000
Returns inwards	15 000
Wages	80 000
Other expenses	60 000

Balances on 30 April 2005 were as follows:

	\$
Debtors	60 000
Creditors	43 000
Accrued wages	2 000
Prepaid expenses	3 300
Stock	85 000
Bank	113 200

Additional information

- 1 It was decided that debts of \$3000 should be written off as bad.
- 2 Loan and debenture interest for the year were paid in full on 30 April 2005.
- 3 The provision for doubtful debts was to be 2.5% of debtors.
- 4 Depreciation on premises was 2% straight line.
- 5 Depreciation on equipment was 40% reducing (diminishing) balance.
- 6 During the year a further 40 000 ordinary shares were issued at a premium of \$0.05.

The directors proposed the following:

8% dividend to be paid on all ordinary shares in issue at the year end.  
The preference dividend to be paid in full.  
\$20 000 to be transferred to the General Reserve.













The original equipment was purchased on 1 November 2003, the date the club opened. Depreciation is charged at 2% straight-line on the clubhouse and 25% reducing balance on equipment. Depreciation is charged for a complete year in the year of purchase. Repairs were to original equipment.

All subscriptions owing in the year ended 31 October 2004 were paid during the year ended 31 October 2005.

Interest on the loan from members, which was received on 1 November 2004, is payable at the rate of 5% per annum.

\$2200 of the new equipment is for use in the restaurant.

The general expenses include \$2100 which should be charged to the restaurant.

One third of the wages are paid to restaurant staff.

**REQUIRED**

(b) Prepare the restaurant Trading account for the year ended 31 October 2005.

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**Question 3 is on the next page**

- 3 Gerry Hatrick Ltd manufactures and sells video cameras. The unit selling price and production costs are as follows:

Selling price	\$ <u>800</u>
Direct materials	100
Direct labour	90
Variable overheads	50
Fixed overheads	<u>160</u>

The fixed production overheads assume a monthly production of 2000 units.

The following monthly costs are also incurred:

Fixed administrative overheads	\$80 000
Variable sales overheads	10% of sales value
Fixed sales overheads	\$120 000

During the month of September 2005 a total of 2400 units were produced, of which 1800 were sold. There was no stock on hand at the beginning of September.



(b) Explain why the profit found when using absorption costing differs from the profit found in marginal costing.

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(c) Calculate the break-even point for September 2005 in sales **volume**.

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**[Total: 30]**

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