



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

CANDIDATE
NAME

CENTRE
NUMBER

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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 | |
|--------------------|--|
| 1 | |
| 2 | |
| 3 | |
| Total | |

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



- 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.

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Use

| 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.

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- [12]

- For
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[illegible]

[14]

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[4]

[Total: 30]

- 2 A Lee Quinn has \$150 000 which she intends to use to fund a new business. The business will commence on 1 December 2008 and expenditure on that date is expected to be as follows.

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| | \$ |
|-----------------------|--------|
| Land and buildings | 70 000 |
| Motor vehicle | 20 000 |
| Fixtures and fittings | 18 000 |

The remaining cash will be deposited in the business bank account.

During the first year of business, Lee anticipates the following:

| | |
|---------------------------------------|---|
| Sales | \$220 000 of which 15 % will be on credit |
| Gross profit as a percentage of sales | 45 % |
| Discount allowed | 2 % of total sales |
| Discount received | 2 % of total purchases |
| Wages and salaries | 9 % of total sales |
| Depreciation on motor vehicles | 40 % reducing balance |
| Depreciation on fixtures and fittings | 20 % on cost |
| Bad debts | 3 % of credit sales |
| Sundry expenses | 5 % of total sales |
| Drawings | \$10 000 plus 10 % of net profit |

At 30 November 2009, projected balances are:

| | \$ |
|-----------|--------|
| Stock | 19 500 |
| Debtors | 12 000 |
| Creditors | 11 000 |
| Bank | ? |

No outstanding accruals or prepayments are anticipated at 30 November 2009.

REQUIRED*For
Examiner's
Use*

(a) For the year ending 30 November 2009, calculate:

(i) total receipts from debtors;

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..... [4]

(ii) total purchases, all of which will be on credit;

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(iii) total payments to creditors.

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..... [3]

For
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Use

[8]

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Use

[6]

- For
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Use

State **six** possible reasons for the decrease in the ratio of net profit to sales.

[6]

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Question 3 is on the next page

- 3 Ken owns a manufacturing business which makes a single product. The following figures apply for all relevant periods.

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| | |
|-------------------------------|----|
| Per unit | \$ |
| Selling price | 35 |
| Direct material | 9 |
| Direct labour | 11 |
| Fixed manufacturing overheads | 5 |

Fixed manufacturing overheads are absorbed into product costs at pre-determined rates per unit of output. Under- or over-absorbed manufacturing overheads are transferred to profit and loss in the period in which they occur.

Normal production is 80 000 units per accounting period.

REQUIRED

- (a) Calculate the break-even point in **both** units and dollars, based on the information above.

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..... [4]

The following information has been acquired for the last three accounting periods.

| Three months ended | 28 February | 31 May | 31 August |
|--------------------------|-------------|--------|-----------|
| | Units | Units | Units |
| Sales | 60 000 | 80 000 | 45 000 |
| Stock at start of period | 15 000 | 0 | 35 000 |
| Stock at end of period | 0 | 35 000 | 20 000 |

(b) Calculate the profit or loss in **each** period using marginal costing.

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Use

[13]

(c) Calculate the profit or loss in **each** period using absorption costing.

For
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Use

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..... [7]

(d) Prepare a financial statement that reconciles your profit using marginal costing with your profit using absorption costing.

| For three months ended | 28 February | 31 May | 31 August |
|---------------------------------|-------------|--------|-----------|
| | \$ | \$ | \$ |
| Profit using marginal costing | | | |
| | | | |
| | | | |
| | | | |
| Profit using absorption costing | | | |

[6]

[Total: 30]

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