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

CANDIDATE NAME											
CENTRE NUMBER							CANDIDATE NUMBER				

2120437085

ACCOUNTING **9706/22**

Paper 2 Structured Questions **May/June 2011**

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.
All accounting statements are to be presented in good style.
International accounting terms and formats should be used as appropriate.
Workings must be shown.
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 **12** printed pages.

DC (NH) 31866/3

UNIVERSITY *of* CAMBRIDGE
International Examinations

[Turn over

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1 Marcel owns a wholesale business supplying shops, hotels and restaurants with tea and coffee. He does not keep formal accounting records but is able to supply the following information for the year ended 30 April 2011.

	30 April 2011	1 May 2010
	$	$
Trade receivables	17 000	18 200
Trade payables	14 800	16 600
Inventories	20 600	33 000
Wages accrued	9 350	9 200
General expenses prepaid	–	900
General expenses owing	800	–

Transactions during the year ended 30 April 2011 were as follows:

	$
Cash received from credit customers	103 160
Cash paid to credit suppliers	88 400
Cash sales to staff	10 750
Sales returns from credit customers	9 200
Discounts allowed	9 540
Discounts received	9 000
Bad debts	8 200
Wages	13 650
General expenses	12 300

REQUIRED

(a) **(i)** Prepare a purchases ledger control account to find out the total amount of credit purchases for the year ended 30 April 2011.

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(ii) Prepare a sales ledger control account to find out the amount of credit sales for the year ended 30 April 2011.

For Examiner's Use

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Additional information:

1 The normal gross profit to sales margin is 33.33%.

2 Staff are permitted to buy goods at cost plus 25%.

3 Goods sold in the annual clearance sale, $29 700, were sold at cost price.

4 On 8 March 2011 an unknown quantity of goods was destroyed by fire.

REQUIRED

(b) There were no further losses of goods during the year. Starting with the opening inventory, calculate the value of the goods destroyed by the fire on 8 March 2011.

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(c) Prepare the income statement (trading account only) for the year ended 30 April 2011.

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[Total: 30]

2 The following information is available for the Northern Division of Blackford Industrial Ltd:

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Statement of financial position at 30 April 2011

	$000	$000	$000
Non-current assets at net book value			180
Current assets			
Inventory		40	
Trade receivables		35	
Bank		43	
		118	
Current liabilities			
Trade payables	55		
Other payables	23		
		78	
Net current assets			40
Capital employed			220
Equity			
Ordinary share capital – $1 each			190
Share premium		10	
Retained earnings		20	
			30
Total shareholders' funds			220

Additional information for year ended 30 April 2011

	$000
Total revenue (sales)	480
Cash purchases	240
Cash paid to credit suppliers	60
Operating expenses	120

At 30 April 2010, the following balances were reported:	$000
Inventory	28
Trade payables	15

REQUIRED

(a) Calculate the following amounts for the year ended 30 April 2011:

(i) cost of sales

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(ii) gross profit and profit for the year (net profit).

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An analysis of the Southern Division of Blackford Industrial Ltd for the year ended 30 April 2011 yielded the following results.

Southern Division

1 Mark-up 40%
2 Gross profit percentage 28.57%
3 Expenses to sales 20%
4 Net profit percentage 8.57%
5 Return on capital employed 18.00%
6 Rate of inventory (stock) turnover 8.95 times
7 Liquid ratio (acid test) 1.1:1

REQUIRED

Northern Division

(b) Calculate **each** of the same ratios for the Northern Division of Blackford Industrial Ltd, for the year ended 30 April 2011. The calculations should be correct to **two** decimal places.

(i) Mark-up

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(ii) Gross profit percentage

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For Examiner's Use

(iii) Expenses to sales

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(iv) Net profit percentage

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(v) Return on capital employed

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(vi) Rate of inventory (stock) turnover

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(vii) Liquid ratio (acid test)

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(c) Using the profitability ratios **(i)** – **(v)** compare the performance of the Northern and Southern Divisions of Blackford Industries and explain the significance of **each** ratio.

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[Total: 30]

[Turn over

3 Ventana Ltd produce three different types of slatted wooden blinds, Pine, Teak and Oak. The company's forecast figures for the year ended 30 April 2012 were:

	Pine	Teak	Oak
	$	$	$
Selling price (per unit)	61	158	170
Costs (per unit)			
Direct material	30	60	80
Direct labour	15	46	24
Variable overhead	6	12	16

Fixed overhead is absorbed on the basis of 50% of direct material cost.

Annual production and sales are forecast to be:

Pine	2000 units
Teak	1600 units
Oak	1000 units

REQUIRED

(a) For the year ended 30 April 2012:

(i) Prepare a statement to show the contribution per unit for **each** product.

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(ii) Calculate the total forecast fixed cost for the year.

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(iii) Prepare a statement to show the break-even point for **each** type of blind in units **and** dollars.

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(b) Prepare a statement, using the contribution per unit, to show the total profit or loss made by **each** type of blind for the year.

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One of the directors wishes to stop production of the pine blinds.

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This would increase the total forecast fixed costs by 25%. However, the director estimates that sales of the teak and the oak blinds would increase by 50%.

REQUIRED

(c) Prepare a detailed marginal cost statement, using the contribution per unit, to show the effect on total profit of stopping production of the pine blinds.

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