

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
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ACCOUNTING

9706/23

Paper 2 Structured Questions

May/June 2015

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 an HB pencil for rough working.

Do not use staples, paper clips, 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.

This document consists of **12** printed pages.

- 1 Vikran, a sole trader, has extracted the following trial balance from his books of account at 30 June 2014.

| | Dr \$ | Cr \$ |
|---|------------------|------------------|
| Bank | 7 600 | |
| Capital | | 200 000 |
| Carriage inwards | 4 200 | |
| Factory supervision salaries | 12 400 | |
| General factory expenses | 8 100 | |
| Heat and light | 5 400 | |
| Indirect factory wages | 36 800 | |
| Insurance | 12 000 | |
| Inventory at 1 July 2013 at cost | | |
| Raw materials | 39 000 | |
| Work in progress | 48 000 | |
| Finished goods | 57 000 | |
| Manufacturing wages | 259 100 | |
| Office salaries | 37 300 | |
| Office equipment at cost | 90 000 | |
| Plant and machinery at cost | 270 000 | |
| Provision for depreciation at 1 July 2013 | | |
| Office equipment | | 38 000 |
| Plant and machinery | | 90 000 |
| Provision for doubtful debts | | 1 600 |
| Purchase of finished goods | 2 100 | |
| Purchase of raw materials | 162 000 | |
| Returns outwards (raw materials) | | 1 200 |
| Rent and rates | 42 000 | |
| Returns inwards | 1 800 | |
| Revenue | | 768 500 |
| Trade payables | | 30 300 |
| Trade receivables | 34 800 | |
| | <u>1 129 600</u> | <u>1 129 600</u> |

Additional information

- Inventory at 30 June 2014 at cost:

| | \$ |
|------------------|--------|
| Raw materials | 46 000 |
| Work in progress | 54 000 |
| Finished goods | 52 000 |
- Depreciation is to be provided on all non-current assets at 15% per annum using the reducing balance method.
- The following expenses are to be apportioned.

| | Factory | Office |
|----------------|---------|--------|
| Rent and rates | 85% | 15% |
| Insurance | 80% | 20% |
| Heat and light | 85% | 15% |
- At 30 June 2014 insurance of \$4000 had been paid in advance.
- At 30 June 2014 heat and light of \$600 had accrued but remained unpaid.
- A bad debt of \$1800 is to be written off at 30 June 2014.
- The provision for doubtful debts is to be maintained at 3% of trade receivables.

2 Alberto is a retailer and has provided the following statement of financial position at 31 August 2014.

| | \$ |
|-------------------------------|----------------|
| Assets | |
| Non-current assets | <u>350 000</u> |
| Current assets | |
| Inventory | 65 000 |
| Trade receivables | <u>45 000</u> |
| | <u>110 000</u> |
| Total assets | <u>460 000</u> |
| Capital and liabilities | |
| Owner's capital | <u>420 000</u> |
| Current liabilities | |
| Bank overdraft | 18 000 |
| Trade payables | <u>22 000</u> |
| | <u>40 000</u> |
| Total capital and liabilities | <u>460 000</u> |

The following additional information is also available for the year ended 31 August 2014.

| | \$ |
|-------------------------------|---------|
| Inventory at 1 September 2013 | 50 000 |
| Purchases (all on credit) | 280 000 |
| Revenue (all on credit) | 425 000 |

REQUIRED

(a) Complete the following table.

| Ratio | Formula | Calculation |
|--------------------------------------|---------|-------------|
| Inventory turnover (in days) | | |
| Trade receivables turnover (in days) | | |
| Trade payables turnover (in days) | | |
| Non-current asset turnover | | |
| Current ratio | | |

[13]

Additional information

Credit terms negotiated with both customers and suppliers are 30 days net. Last year Alberto's inventory turnover was 60 days.

REQUIRED

(b) Evaluate Alberto's performance in respect of the following ratios.

(i) Inventory turnover
.....
.....
..... [3]

(ii) Trade receivables turnover
.....
.....
..... [3]

(iii) Trade payables turnover
.....
.....
..... [3]

Additional information

Alberto is considering expanding his business by forming either a partnership or a private limited company.

REQUIRED

(c) State **two** advantages and **two** disadvantages of **each** option.

Partnership

Advantages:

.....
.....
.....
.....

Disadvantages:

.....
.....
.....
.....

Private limited company

Advantages:

.....
.....
.....
.....

Disadvantages:

.....
.....
.....
.....

[8]

[Total: 30]

3 Colebrook Limited manufactures one product. The following information is available.

| | |
|-------------------------|------------------------|
| Direct material | \$3.20 per unit |
| Direct labour | \$2.40 per unit |
| Selling price | \$14.00 per unit |
| Budgeted fixed overhead | \$88 000 per month |
| Budgeted production | 16 000 units per month |

The following information is available for February and March 2015.

| | | |
|---------------------------|----------|--------|
| | February | March |
| Actual sales (units) | 13 000 | 17 000 |
| Actual production (units) | 15 000 | 15 000 |

There was no inventory of finished units at 1 February 2015. The actual fixed overhead cost was the same as the budgeted cost.

REQUIRED

(a) Calculate the contribution per unit.

.....

.....

..... [2]

Question 3(b) is on the next page.

(e) Prepare a statement reconciling the marginal costing profit with the absorption costing profit for February **only**.

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.....
..... [3]

(f) Explain why there is a difference in the profit between the two methods.

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.....
..... [4]

[Total: 30]

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