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

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

0480602393

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	
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Total	

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

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[Turn over

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.

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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REQUIRED

(a) Calculate the **total** net profit available to the partners for **each** of the three years ended 30 September 2006, 2007, 2008.

[12]

(b) Prepare Michael's capital and current accounts for **each** of the three years ended 30 September 2006, 2007 and 2008.

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Capital account – Michael

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Current account - Michael

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For Examiner's Use

(c) Explain, briefly, why partnerships may keep both capital accounts and current accounts.

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[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

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

(i) total receipts from debtors;

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

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(iii) total payments to creditors.

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(b) (i) Prepare a projected trading and profit and loss account for the year ending 30 November 2009.

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(ii) Prepare a projected balance sheet at 30 November 2009.

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[6]

B Ahmed Khan is a sole trader. During the year ended 30 September 2007, his percentage of net profit to sales was 22 %. The following year, this dropped to 18 %, despite the year's net profit having increased from $60 000 to $70 000.

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REQUIRED

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

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[Total: 30]

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Question 3 is on the next page

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

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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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

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

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For Examiner's Use

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

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(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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