



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

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
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ACCOUNTING

9706/02

Paper 2 Structured Questions

October/November 2007

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 **10** printed pages and **2** blank pages.



- 1 Killim and Jaro are in partnership sharing profits in the ratio of 2 : 1 respectively. Interest of 5% per annum is allowed on capital and 4% is charged on total drawings for the year.

The following are the partnership balances at 30 September 2007, after completion of the trading account.

	\$
Gross profit	61 400
General expenses	9 100
Rent, rates and insurance	1 215
Discount allowed	2 010
Discount received	1 910
Wages	14 150
Bank interest (Cr)	1 320
Premises at cost	73 500
Fixtures at valuation	13 100
Debtors	20 200
Creditors	27 842
Bank deposit account	60 000
Bank current account (Cr)	1 400
Stock at 30 September 2007	51 200
Drawings – Killim	12 200
Drawings – Jaro	14 100
Capital account – Killim	120 000
Capital account – Jaro	55 000
Current account – Killim (Cr)	3 050
Current account – Jaro (Dr)	1 147

Additional information at 30 September 2007:

Depreciation on fixtures is provided for at 25 % per annum using the reducing balance method. Jaro is credited with a salary of \$20 000 per annum.

Wages prepaid amounted to \$450.

Insurance accrued amounted to \$300.

(b) Prepare Jaro's current account for the year ended 30 September 2007.

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..... [8]

The partnership has recently purchased new premises and needs new equipment costing over \$100 000.

REQUIRED

(c) Identify **two** methods of raising extra finance and state **one** advantage and **one** disadvantage of each method.

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[Total: 30]

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Question 2 is on the following page

2 Gabriel is a sole trader who keeps the minimum of accounting records. His bank balance on 1 October 2006 was \$7400 and debtors owed him \$5010. For the year ended 30 September 2007 his records showed the following:

	\$
Payments by cheque:	
Van purchased on 1 October 2006	6 800
Electricity	2 400
Van maintenance	250
General expenses	2 620
Purchase of stock for resale	182 600
 Paid in to bank:	
Shop takings	273 200
Receipts from debtors	3 040

At 1 October 2006 Gabriel stopped all credit sales as debtors were not paying on time thus affecting his cash flow. Amounts still owed by debtors at 30 September 2007 were to be considered bad debts.

All shop takings for the year were paid into the bank with the exception of the following, which were paid from shop takings.

	\$
General expenses	1 100
Wages	12 000
Drawings	1 200 per calendar month
Petrol for van	80 per calendar month

At 30 September 2007 \$21 200 was owed for purchases.
Stock at 1 October 2006 was valued at \$22 000.
Stock at 30 September 2007 was valued at \$31 250.
Depreciation on the van is provided for at 25 % per annum, reducing balance.

REQUIRED

(a) Calculate Gabriel's sales for the year ended 30 September 2007.

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[6]

(c) Calculate the following to **two** decimal places:

(i) Gross profit as a percentage of sales;

(ii) Net profit as a percentage of sales;

(iii) Rate of stockturn in **weeks**.

(i)
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..... [2]

(ii)
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(iii)
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(d) Explain briefly **one** use of accounting ratios.

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[Total: 30]

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Question 3 is on the following page

- 3 Newstead Furniture Ltd produces **three** types of wooden bench – single-seat, two-seat and three-seat. These are manufactured in two departments, Assembly and Finishing. There are also two service departments, Canteen and Maintenance.

Estimated data for the year ended 31 December 2007 is as follows:

	Single-seat	Two-seat	Three-seat
	\$	\$	\$
Unit selling price	80	100	120
Unit production costs			
Direct materials	18	25	28
Direct labour – Assembly	20	13	14
Direct labour – Finishing	3	4	5
Estimated production in units	12 000	10 000	5 000
Machine hours per unit	2	3	4

Estimated overheads for the year ending 31 December 2007 are as follows:

	Assembly	Finishing	Maintenance	Canteen	Total
	\$	\$	\$	\$	\$
Space costs					55 000
Depreciation of Equipment					120 000
Allocated Overheads	28 100	30 200	9 400	11 000	<u>78 700</u>
					<u>253 700</u>

Additional information:

Floor area (square metres)	3 000	3 800	2 000	2 200
Number of employees	10	9	6	5
Cost of equipment	\$175 000	\$200 000	\$100 000	\$125 000

(ii) Finishing department

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(c) State the reason for using different methods of calculating the overhead recovery rate in (b).

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(d) Calculate, to **two** decimal places, the total cost of **one** two-seat bench.

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[Total: 30]

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