



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

CANDIDATE  
NAME

CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ACCOUNTING**

**9706/02**

Paper 2 Core Topics

**For Examination from 2010**

SPECIMEN PAPER

**1 hour 30 minutes**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

**Do not open this booklet until you are told to do so.**

Write your name, Centre number and candidate number on the top of this page unless this has been done for you.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams or graphs.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

Write your answers in the spaces provided on the question paper. If you require extra space for your answers or workings, use page 12.

**INFORMATION FOR CANDIDATES**

The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>Total</b>	

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



- 1 Amah Retto's ledger accounts for the year ended 30 April 2010 showed the following balances:

	\$
Property at cost	250 000
Machinery at cost	52 000
Provision for depreciation on machinery at 1 May 2009	15 600
Provision for doubtful debts at 1 May 2009	500
Revenue	243 000
Ordinary goods purchased	184 000
Sales returns	2 040
Purchases returns	1 980
Carriage on purchases	350
Carriage on sales	800
Rent received	2 420
Discount allowed	1 800
Discount received	1 300
Electricity expense	2 100
General expenses	9 340
Inventory at 1 May 2009	13 500
Trade receivables	9 000
Trade payables	11 460
Bank (Credit)	8 260
Cash	990
Drawings	18 600
Non-current liability loan at 11% per annum	60 000
Capital	?

Additional information at 30 April 2010.

- 1 Inventory was valued at \$15 100.
- 2 No interest had been paid or provided for on the loan, which had been taken out on 1 November 2009.
- 3 Amah Retto's tenant had paid only eleven months' rent; one month's rent was due and unpaid.
- 4 Electricity expense prepaid amounted to \$40.
- 5 General expenses accrued amounted to \$50.
- 6 Debts of \$200 were to be written off.

Depreciation was to be provided on machinery at 40% using the reducing (diminishing) balance method.

Doubtful debts provision was to be 3% of trade receivables at the end of the year.





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(c) Use the answers to (a) and (b) to calculate the following ratios to **two** decimal places.

- (i) Current ratio
- (ii) Liquid ratio
- (iii) Rate of inventory turnover
- (iv) Gross profit as a percentage of sales
- (v) Profit for the year as a percentage of sales.

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(d) (i) State **two** reasons for calculating ratios.

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(ii) State **four** user groups who might be interested in or make use of accounting ratios.

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**[Total: 30]**

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2 Sara has a wholesale clothing business. She provides you with the following figures.

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	Balance at 31 May 2008	Balance at 31 May 2009
	\$	\$
Trade Payables	12 000	14 000
Trade Receivables	13 300	13 600
Inventory (cost price)	21 500	18 500

During the year ended 31 May 2009 the following transactions took place:

	\$
Cash paid to suppliers for goods	45 000
Takings banked	58 000
Cash discount received	1 000
Cash discount allowed	1 200
Bad debts written off	1 100

The takings banked during the year ended 31 May 2009 included \$250 for 31 May 2008.

Takings of \$400 for 31 May 2009 were banked on 2 June 2009.

**REQUIRED**

(a) (i) Calculate total purchases for the year ended 31 May 2009.

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(c) (i) Calculate the payment period of trade payables in days.

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(ii) Calculate the collection period of trade receivables in days.

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**[Total: 30]**

*For  
Examiner's  
Use*

3 You are the cost accountant of Jaricho Ltd, which makes 3 cleaning products. These are Kitchen Cleaner, Floor Cleaner and Bathroom Cleaner.

They all use the same manufacturing process but require different grades of raw material.

The following estimates are for the six months ended 30 November 2009:

	Kitchen	Floor	Bathroom
Sales (litres)	60 000	19 500	33 000
Cost per litre of direct materials	\$1.35	\$3.90	\$1.50
Cost per litre of variable overheads	\$0.90	\$3.60	\$0.50
Production rate in litres per hour	4	2	3
Selling price per litre	\$4.00	\$7.00	\$5.00
Direct labour paid at \$3.00 per hour	–	–	–

Fixed costs of \$53 625 are recovered at the rate of \$1.50 per direct labour hour.

All production is sold during the month of production, so there are no opening or closing inventories.

(a) Calculate, for Floor Cleaner, the total direct labour hours it will take to manufacture six months' production.

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(b) From the above information, draw up a forecast profit statement for **all** three products, Kitchen, Floor and Bathroom Cleaner, for the six month period ending 30 November 2009, absorbing the overheads, and showing the total profit for Jaricho Ltd.

*For  
Examiner's  
Use*

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(c) (i) Using marginal costing, calculate the total contribution for each product for six months' production.

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(ii) Calculate the contribution per direct labour hour for each product.

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**[Total: 30]**

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