

Centre Number	Candidate Number	Name
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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
 General Certificate of Education  
 Advanced Subsidiary Level and Advanced Level

**ACCOUNTING**

**9706/02**

Paper 2 Structured Questions

May/June 2006

**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.

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	
<b>Total</b>	

This document consists of **14** printed pages and **2** blank pages.



- 1 After completion of the Trading Account, the following balances were extracted from the books of Peter Jordan plc on 30 April 2006.

	\$
Authorised and issued share capital	
Ordinary shares of \$1 each fully paid	1 500 000
7% Preference shares of \$1 each fully paid	200 000
Premises	2 300 000
Motor vehicles	500 000
Fixtures and fittings	170 000
Provision for depreciation on motor vehicles	375 000
Provision for depreciation on fixtures and fittings	102 000
Gross profit	1 620 000
Stock	204 000
Office expenses	460 000
Selling and distribution expenses	486 000
6% debentures – 2011 (issued in 2001)	100 000
Debenture interest paid	3 000
Profit on sale of motor vehicle	2 000
Profit and loss account balance – 1 May 2005	143 600 Cr
Debtors	132 000
Creditors	116 000
Bank	26 800 Cr
Cash	400
Share premium	150 000
Interim dividend paid – ordinary shares	75 000
preference shares	8 000
Provision for doubtful debts	3 000

Additional information at 30 April 2006:

Office expenses prepaid \$8000

Selling and distribution expenses accrued \$23 000

Provision for doubtful debts to be maintained at 2% of debtors

Depreciation to be provided as follows:

    Motor vehicles 50% per annum reducing (diminishing) balance

    Fixtures and fittings 20% per annum on cost

The following are proposed:

    Final dividend of \$0.10 per share to be paid to ordinary shareholders

    Remaining dividend due is to be paid to preference shareholders.





(c) (i) Calculate the current ratio at 30 April 2006 to **two** decimal places.

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(ii) Calculate the acid test (quick) ratio at 30 April 2006 to **two** decimal places.

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(iii) Explain the uses of these two ratios, using Peter Jordan plc as an example.

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[Total: 30]

- 2 The Netherdale Sports Club's Receipts and Payments Account shows the following transactions for the year ended 30 April 2006.

	\$		\$
RECEIPTS		PAYMENTS	
Balance b/d	20 000	National club fees	3 000
Subscriptions	72 000	Restaurant supplies	51 000
Restaurant takings	108 000	Purchase of clubhouse	50 000
Annual dance	8 900	Loan interest	2 200
Sale of equipment	6 000	Purchase of equipment	14 000
Loan to purchase clubhouse	20 000	Restaurant wages	22 000
		Repairs and maintenance	12 400
		Annual dance	4 950
		Administration of annual dance	320
		Electricity	11 000
		General wages	60 000
		Balance c/d	<u>4 030</u>
	<u>234 900</u>		<u>234 900</u>
Balance b/d	4 030		

When the club's bank statements for the year ended 30 April 2006 were studied, the following were discovered.

- (i) Bank interest of \$100 for the year had been credited in the bank statement but no entry appeared in the receipts and payments account.
- (ii) Electricity was paid by direct debit at \$1000 per month but the entry for January 2006 had been omitted from the receipts and payments account.
- (iii) \$4000 had been banked for restaurant takings on 30 April 2006. This had been entered in the receipts and payments account but did not appear on the bank statement.
- (iv) A cheque for \$2800 for repairs and maintenance, posted on 29 April 2006, was included in the receipts and payments account but had not yet been presented to the bank for payment.

**REQUIRED**

**(a) (i)** Update the Netherdale Sports Club's Receipts and Payments Account.

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**(ii)** Prepare a bank reconciliation statement at 30 April 2006 to reconcile the bank statement with the updated receipts and payments balance.

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- 3 Hoi Poloi plc makes 3 types of filing cabinet, four-drawer, three-drawer and two-drawer. The business uses general purpose machines which are equally suitable to be used in the manufacture of all three products.

Data for the year ended 30 April 2005 was as follows:

	four drawer \$	three drawer \$	two drawer \$
Total sales	410 400	123 900	427 500
Total variable costs	304 000	88 500	285 000
Allocated fixed costs	98 000	48 000	135 000
Profit (Loss)	8 400	(12 600)	7 500

It had been proposed that the three-drawer cabinet be discontinued, as it was making a loss.

**REQUIRED**

- (a) State whether this proposal should have been agreed, giving your reasons.

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Sales and cost data for the year ended 30 April 2006 were as follows:

	four drawer	three drawer	two drawer
Sales in units	15 000	6 000	30 000
Raw materials	\$12	\$8	\$4
Variable overheads	\$3	\$2	\$2
Unit contribution	\$7	\$6	\$5
Machine hours per unit	0.5	0.5	0.4
Machine operators are paid \$10 per hour.			
Allocation of fixed costs	\$98 000	\$48 000	\$135 000

**REQUIRED**

(b) Calculate the selling price per unit for each product.

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(c) Calculate for **each** product the break-even point in both units and sales value.

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**(d)** Calculate for **each** product the profit or loss for the year ended 30 April 2006.

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