



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

CANDIDATE  
 NAME

CENTRE  
 NUMBER

--	--	--	--	--

CANDIDATE  
 NUMBER

--	--	--	--

\* 8 0 1 8 8 0 6 5 4 9 \*

**ACCOUNTING**

**9706/02**

Paper 2 Structured Questions

**May/June 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	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>Total</b>	

This document consists of **11** printed pages and **1** blank page.



1 The following balances were extracted from Aurora's accounts at 31 March 2007.

	\$000
Sales	3 200
Purchases of raw materials	450
Purchases returns	18
Carriage inwards	10
Direct labour	400
Direct overheads	60
Rent	40
Electricity	30
Insurance	55
Factory supervision salaries	65
Office salaries	70
Indirect factory wages	13
Factory cleaning	50
Office cleaning	50
Stocks at 1 April 2006:	
Raw materials	110
Work in progress	55
Finished goods	80
Factory machinery at cost	640
Provision for depreciation on factory machinery	280

Additional information at 31 March 2007:

	\$000
Rent prepaid	5
Electricity accrued	15
Insurance prepaid	10
Stocks – Raw materials	140
Work in progress	75
Finished goods	170

Depreciation on factory machinery is to be provided at 25% per annum reducing balance.

Rent, electricity and insurance are apportioned on the basis of 80% to factory and 20% to office.

Finished goods are transferred to the trading account at total factory cost plus one third.

**REQUIRED**

(a) Prepare Aurora's manufacturing account for the year ended 31 March 2007.

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

[24]

(b) Prepare Aurora's trading account for the year ended 31 March 2007.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

**[Total: 30]**

2 Archie Pelago buys and sells a single product. His first three months of trading showed the following purchases and sales.

2005	Purchases	Sales
February	300 @ \$25	150 @ \$35
March	120 @ \$27	210 @ \$38
April	240 @ \$29	205 @ \$41

For the following requirements either perpetual **or** periodic inventory may be used. Calculations should be taken to a maximum of **two** decimal places.

**REQUIRED**

(a) Calculate Archie's closing stock at 30 April 2005 using the FIFO (first in first out) method of stock valuation.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

(b) Calculate Archie's closing stock at 30 April 2005 using the LIFO (last in first out) method of stock valuation.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [2]

(c) Calculate Archie's closing stock at 30 April 2005 using the AVCO (weighted average cost) method of stock valuation.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [2]



Archie Pelago's balance sheets at 30 April 2006 and 2007 were as follows:

	30 April 2006			30 April 2007		
	\$	\$	\$	\$	\$	\$
Fixed assets (Net book value)						
Premises			100 000			100 000
Equipment			<u>75 000</u>			<u>56 500</u>
			175 000			156 500
Current assets						
Stock	7 500			6 800		
Debtors	10 800			8 900		
Bank	2 000			-		
Cash	<u>400</u>	20 700		<u>400</u>	16 100	
Current liabilities						
Creditors	6 200			7 300		
Bank	<u>-</u>			<u>1 200</u>		
		<u>6 200</u>			<u>8 500</u>	
Net current assets			<u>14 500</u>			<u>7 600</u>
			<u>189 500</u>			<u>164 100</u>
Capital at 1 May 2006			120 000			189 500
Net profit (loss)			<u>83 500</u>			<u>(11 400)</u>
			203 500			178 100
Less drawings			<u>14 000</u>			<u>14 000</u>
			<u>189 500</u>			<u>164 100</u>

### REQUIRED

(e) For each year, calculate to a maximum of **two** decimal places:

- (i) the current ratio;
- (ii) the liquid ratio.

.....

.....

.....

.....

.....

.....

.....

.....

.....

[8]



(f) From your calculations in (e) and the balance sheets given in the question discuss **briefly** Archie's financial status on 30 April 2007 compared to 30 April 2006.

.....

.....

.....

.....

.....

.....

.....

..... [3]

**[Total: 30]**



(b) Calculate the break-even point for **each** type of refrigerator in both **units** and **dollars**. Give your answers to the nearest whole number. Workings **must** be shown.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [12]

(c) The table at the beginning of the question shows that both the Household and the Business models appear to be making a loss. Explain why Fernando should **not** cease production of these two types of refrigerator.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [6]

[Total: 30]

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.