



Cambridge International Examinations

Cambridge International AS & A Level	Cambridge International Examinations Cambridge International Advanced Subsidiary and Advanced Level
CANDIDATE NAME	
CENTRE NUMBER	CANDIDATE NUMBER

ACCOUNTING

9706/23

Paper 2 Structured Questions

May/June 2015

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 an HB pencil for rough working.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer all questions.

All accounting statements are to be presented in good style.

International accounting terms and formats should be used as appropriate.

Workings must be shown.

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.



1 Vikran, a sole trader, has extracted the following trial balance from his books of account 30 June 2014.

	m	col. Papac ambridge.com
trial balance from	his books of ac	col vac
_	_	1778
	Cr	70
•	\$	30
7 600	000.000	.60
4.000	200 000	The state of the s
12000		
270 000		
	1 600	
162 000		
	1 200	
1800		
	30 300	
	1129600	
	trial balance from Dr \$ 7600 4200 12400 8100 5400 36800 12000 39000 48000 57000 259100 37300 90000 270000 2100 162000 42000 1800 34800 1129600	8 100 5 400 36 800 12 000 39 000 48 000 57 000 259 100 37 300 90 000 270 000 38 000 90 000 1 600 2 100 162 000 1 200 42 000 1 800 768 500 30 300 34 800

Additional information

Inventory at 30 June 2014 at cost:

46 000 Raw materials Work in progress 54000 Finished goods 52000

- Depreciation is to be provided on all non-current assets at 15% per annum using the reducing balance method.
- 3 The following expenses are to be apportioned.

	Factory	Office
Rent and rates	85%	15%
Insurance	80%	20%
Heat and light	85%	15%

- At 30 June 2014 insurance of \$4000 had been paid in advance. 4
- At 30 June 2014 heat and light of \$600 had accrued but remained unpaid. 5
- A bad debt of \$1800 is to be written off at 30 June 2014. 6
- The provision for doubtful debts is to be maintained at 3% of trade receivables. 7

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REQUIRED

	QUIRED Prepare Vikran's manufacturing account for the year ended 30 June 2014.
RE	QUIRED
(a)	Prepare Vikran's manufacturing account for the year ended 30 June 2014.
	[14]

(c)	Explain why a business should depreciate its non-current assets.
	[4]
	[Total: 30]

	g statement of financial position at 31 x \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$
6	3
Alberto is a retailer and has provided the following	g statement of financial position at 31
	\$ 10/16
Assets	
Non-current assets	350 000
Current assets	The state of the s
Inventory	65 000
Trade receivables	45000
	<u>110 000</u>
Total assets	460 000
Capital and liabilities	
Owner's capital	<u>420 000</u>
Owner o capital	120 000
Current liabilities	
Bank overdraft	18 000
Trade payables	<u>22 000</u>
	40 000
Total capital and liabilities	<u>460 000</u>

The following additional information is also available for the year ended 31 August 2014.

Inventory at 1 September 2013 50000 Purchases (all on credit) 280000 425 000 Revenue (all on credit)

REQUIRED

(a) Complete the following table.

Ratio	Formula	Calculation
Inventory turnover (in days)		
Trade receivables turnover (in days)		
Trade payables turnover (in days)		
Non-current asset turnover		
Current ratio		

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Additional information

www.PapaCambridge.com Credit terms negotiated with both customers and suppliers are 30 days net. Last year A inventory turnover was 60 days.

REQUIRED

(b)	Eva	aluate Alberto's performance in respect of the following ratios.	
	(i)	Inventory turnover	
			[3]
	(ii)	Trade receivables turnover	
			[3]
	(iii)	Trade payables turnover	
			[3]

Additional information

www.PapaCambridge.com Alberto is considering expanding his business by forming either a partnership or a private company.

REQUIRED

(c)	State two advantages and two disadvantages of each option.
	Partnership
	Advantages:
	Disadvantages:
	Private limited company
	Advantages:
	Disadvantages:
	[8]

[Total: 30]

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www.PapaCambridge.com 3 Colebrook Limited manufactures one product. The following information is available.

Direct material	\$3.20 per unit
Direct labour	\$2.40 per unit
Selling price	\$14.00 per unit
Budgeted fixed overhead	\$88 000 per month
Budgeted production	16 000 units per month

The following information is available for February and March 2015.

	February	March
Actual sales (units)	13 000	17 000
Actual production (units)	15 000	15 000

There was no inventory of finished units at 1 February 2015. The actual fixed overhead cost was the same as the budgeted cost.

REQUIRED

(a)	Calculate the contribution per unit.	
		[2]

Question 3(b) is on the next page.

(b)	Prepare the income statement for each of the months February and March 2015 us costing.
	IUI

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Additional information

	The state of the s
	ditional information ebrook Limited is considering changing to absorption costing. Calculate the overhead absorption rate per unit produced.
Ado	ditional information
Col	ebrook Limited is considering changing to absorption costing.
(c)	Calculate the overhead absorption rate per unit produced.
	[1]
(d)	Prepare the income statement for each of the months February and March 2015 using absorption costing.
	[11]

(e)	Prepare a statement reconciling the marginal costing profit with the absorption cost. February only .
	[3]
(f)	Explain why there is a difference in the profit between the two methods.
	[4]
	[Total: 30]

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