| | Centre Number | Number |
|----------------|---------------|--------|
| Candidate Name | | |
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CAMBRIDGE INTERNATIONAL EXAMINATIONS

General Certificate of Education Advanced Subsidiary Level and Advanced Level

ACCOUNTING 9706/2

PAPER 2 Structured Questions

MAY/JUNE SESSION 2002

1 hour 30 minutes

Candidates answer on the question paper. No additional materials are required.

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page. Answer **all** questions.

Write your answers in the spaces provided on the question paper. If you require extra space for your answers or workings, use pages 15 and 16.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question. You may use a calculator.

| FOR EXAMINER'S USE | |
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| 2 | |
| 3 | |
| TOTAL | |

This question paper consists of 14 printed pages and 2 lined pages.

1 The Happy Elephant Warehousing Company Ltd is an old family-run business which is expanding its operations and has therefore purchased premises to add to its existing rented warehouses.

The following figures are end of the year balances.

| | Years e | ended 31 | August |
|--|---------|----------|--------|
| | 1999 | 2000 | 2001 |
| | \$000 | \$000 | \$000 |
| Fittings at cost | 33 | 40 | 173 |
| Provision for depreciation on fittings | 10 | 14 | 31 |
| Depreciation for the year on fittings | 3 | 4 | 7 |
| Net sales | 450 | 510 | 640 |
| Cost of sales | 350 | 423 | 577 |
| Trade debtors | 18 | 25 | 21 |
| Trade creditors | 36 | 47 | 73 |
| Long term loan (from 1 June 2001) | _ | _ | 68 |
| Cash at bank | 51 | 45 | _ |
| Bank overdraft | _ | _ | 52 |
| Stock | 44 | 49 | 107 |
| Rent paid | 10 | 11 | 12 |
| General expenditure | 53 | 60 | 66 |
| Loan interest due and paid | _ | _ | 5 |
| Share capital | 60 | 60 | 80 |
| Proposed dividends | 14 | 14 | _ |

Profit and Loss Account balance of \$6000 (Cr) was brought forward on 1 September 1998.

(a) Prepare, in columnar format, the Profit and Loss and Appropriation Accounts for each of

| the three years ended 31 August 1999, 2000 and 2001. |
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| (b) | Prepare, in columnar format, Balance Sheets as at 31 August 1999, 2000 and 2001. |
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| (c) | dentify and comment on four trends shown in the company's results for the three years | |
| (0) | , and an a common control in an action in the company of the control in a control in a control in a control in | |
| (0) | | |
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| Janice Jersey's first 6 months of trading showed the following purchases and sales of stock: | | | | |
|--|------------------------------|--|--|--|
| 1990 January | Purchases 280 @ \$65 each | Sales | | |
| February March | | 140 @ \$82 each | | |
| April May | 220 @ \$72 each | 190 @ \$85 each | | |
| June | 220 @ \$72 0d011 | 200 @ \$90 each | | |
| Calculate J of stock val | | onths ended 30 June 1990 using the following methods | | |
| (a) FIFO (| First In First Out) | | | |
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| (b) | LIFO (Last In First Out) |
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| (0) | AVCO (Weighted Average Cost), Calculate to 2 desimal places |
| (c) | AVCO (Weighted Average Cost). Calculate to 2 decimal places. |
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|---|--|----------------------------|--|--|
| Janice's Trading and Profit and Loss Account for the year ended 30 April 2001 was as follows: | | | | |
| IOIIO | WS. | \$ | \$ | |
| Sale | 00 | Ψ | 290 000 | |
| | Cost of Sales | | 290 000 | |
| | | 31 000 | | |
| | ning Stock chases | | | |
| Puic | nases | 169 000 | | |
| | | 200 000 | | |
| less | Closing Stock | 26 000 | 174 000 | |
| | _ | | 116 000 | |
| Evn | onooo | | 87 000 | |
| Expenses | | | | |
| Net | Profit | | 29 000 | |
| | | | | |
| for t | he following year | by $7\frac{1}{2}$ %. She a | ling prices by 10%, which increased her sales volume lso decreased her expenses by $2\frac{1}{2}$ %. Her purchases \$170,000 and closing stock was valued at \$21,000. | |
| (d) | Calculate Janice' 30 April 2002. Sh | | o for the year ended 30 April 2001 and for year ended ons. | |
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| (e) | Discuss the cons | equences of the | changes in Janice's policy. | |
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| T) | Janice achieved her decrease in expenses by altering her method of depreciation. |
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| | Comment on this change. |
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3 Barkis & Co Ltd manufacture specialised containers for use under water. The business uses two machines. These machines have different levels of efficiency. The following information applies to production and costs:

| Machine | Χ | Υ |
|---------------------------|--------|--------|
| Hourly rate of production | 160 | 250 |
| Material cost per unit | \$5.00 | \$4.60 |
| Hourly labour rate | \$10 | \$10 |
| Number of operatives | 4 | 5 |
| Fixed costs per order | \$200 | \$500 |
| Variable unit costs | \$2.40 | \$2.60 |

Orders have been received from different customers for (a) 800 and (b) 1000 containers. Which machine should be used for each order, in order to minimise cost? Orders may not be split between machines, but the same machine may be used for more than one order.

| Order 123/P for 800 containers |
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9706/2/M/J/02 **[Turn over**

| Order 382/Q for 1000 containers |
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| (c) | | alculate the contribution to be made for order number 123/P to make a profit of 25% n total cost, using each machine. | | | | |
|-----|------|---|--|--|--|--|
| | (i) | Machine X | | | | |
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| | (ii) | Machine Y | | | | |
| | (") | Wacinite 1 | | | | |
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| further orders. Three methods of doing so have been discussed: | |
|--|--|
| (i) a rights issue; | |
| (ii) an issue of shares to the public; | |
| (iii) an issue of debentures. | |
| Give one advantage and one disadvantage of each method. | |
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