Name

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

ACCOUNTING 9706/02

Paper 2 Structured Questions

May/June 2003

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 in the spaces provided on the Question Paper.

You may use a soft pencil for rough working.

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

Answer all questions.

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.

You may use a calculator.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

For Exam	iner's Use
1	
2	
3	
Total	

This document consists of 10 printed pages, 1 lined page and 1 blank page.

1 The following is the summarised Balance Sheet of Bracket & Racket Ltd, a limited company wholly owned by its two shareholders, Bracket and Racket.

Balance Sheet as at 31 March 2002

Fixed Assets at Net Book Value Buildings Fixtures and fittings	\$000	\$000	\$000 250 100 350
Current Assets Stock Debtors Cash	1540 820 <u>3</u>	2363	
Current Liabilities Creditors for supplies Accruals Bank	1210 192 203	<u>1605</u>	<u>758</u> 1108
Share capital – Ordinary shares Retained profits Loan accounts – Bracket Racket		104 69	25 910 <u>173</u> <u>1108</u>

The company accountant resigned at the beginning of April 2002 and proper records were not kept for the six-month period 1 April to 30 September 2002.

The following information is available for that six-month period.

	\$000
Payments by cheque for purchases	1996
Payments by cheque for expenses	823
Interest charged on overdraft	20
Cash and cheques banked	2784

Included in the amount banked was \$53000 for the sale of an unused building, book value \$70000.

Prior to banking the takings,

- (i) \$205 000 was used to pay wages for the six months;
- (ii) Bracket and Racket each reduced their loans to the firm by \$45 000.

Depreciation on all fixed assets which remain in the company's books at the end of an accounting period is calculated at 25% per annum on the net book value.

At 30 September 2002 the following figures were available.

\$000
510
103
420
704
8
195
63

Doubtful debts are estimated at 5% at 30 September 2002 and a provision for doubtful debts at that date is to be created.

REQUIRED

(a)	A Trading and Profit and Loss Account for Bracket and Racket Ltd for the six months ended 30 September 2002.

[16]	

(b)	A Balance Sheet for Bracket and Racket Ltd at 30 September 2002.
	[8]

The Company needs to improve its premises but the bank refuses either to allow a further increase in overdraft or to grant a loan.

REQUIRED

(c)	State six other possible sources of finance.
	[6]

2 The following are the summarised Profit Statements and Balance Sheets for Greenyards Ltd, a manufacturing company, and Poynder Ltd, a retailer.

	Greeny	ards Ltd	Poyno	ler Ltd
Profit Statements for the years ended 31 March	<u>2001</u>	<u>2002</u>	<u>2001</u>	2002
Sales Cost of sales Operating costs Loan interest paid Net profit	\$000 500 (245) (225) (7) 23	\$000 610 (355) (230) (10) 15	\$000 425 (210) (190) (7) 18	\$000 460 (230) (200) (3) 27
Balance sheets at 31 March Fixed Assets at Net Book Value Stock Debtors Bank Creditors	150 50 20 10 (25) 205	225 60 30 (35) (20) 260	220 27 - 13 (35) 225	175 20 - 57 (50) 202
Share capital Retained profit Long term loans	50 95 60 205	50 110 100 260	50 100 75 225	50 127 25 202

REQUIRED

(a)

Use six ratios to compare the management's performance from 2001 to 2002 for each company.
Use year end figures, not averages, to calculate ratios.
Give answers to a maximum of one decimal place. Show all workings.

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	[12]
(b)	Comment on your findings.

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	[12	2]
(c)	State six shortcomings or dangers in using ratio analysis.	
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3 Angelicus and Co. manufactures three different qualities of lock, Domestic, Commercial and Industrial. The company's results for the year ended 31 March 2003 were as follows.

Sales (units)	Domestic 120 000	Commercial 45 000	Industrial 56 250	Total 221 250
Sales (total value)	\$000	\$000	\$000	\$000
	<u>240</u>	<u>180</u>	<u>450</u>	<u>870</u>
Total costs Direct material Direct labour Variable overheads Fixed overheads	108	66	84	258
	60	30	150	240
	24	54	120	198
	<u>54</u>	33	42	129
	246	183	396	825
Profit (loss)	(6)	(3)	54	45

Fixed overheads are absorbed on the basis of 50% of direct materials.

REQUIRED

(a)	For the y	year ended 31	March 2003	calculate, fo	or each type	of lock,
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(i) the contribution per unit;

Show all workings.

(ii) the contribution as a percentage of sales.

Give answers to a maximum of three decimal places.

(D)	Calculate the break-even point for each type of lock in both units and dollars.	
		• • •
		• • •
		•••
	[13	2]
(c)	Advise whether Angelicus should cease production of Domestic and Commercial lock Give your reasons.	s.
(c)		s.
(c)		s
(c)		s

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