

# UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education

Advanced Subsidiary Level and Advanced Level

CANDIDATE NAME				
CENTRE NUMBER		CANDIDATE NUMBER		

ACCOUNTING 9706/23

Paper 2 Structured Questions

May/June 2010 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.

All accounting statements are to be presented in good style.

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.

For Exam	iner's Use
1	
2	
3	
Total	

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

**UNIVERSITY** of **CAMBRIDGE** 

International Examinations

1 Jasper, a sole trader, has provided the following summary of his bank receipts and payments for the year ended 30 April 2010.

For Examiner's Use

	Dr		Cr
	\$		\$
Cash and cheques	424 000	Machinery	30400
		Payments to creditors	228 000
		Rent	24200
		Insurance	14200
		Wages	104200
		Postage	800
		Electricity	8400
		Sundries	4200

Jasper's year-end balances were as follows:

	At 30	April
	2009	2010
	\$	\$
Trade receivables (debtors)	46 400	?
Inventory (stock)	24400	30600
Trade payables (creditors)	29200	32200
Machinery at net book value	206 400	216000
Rent prepaid	_	6200
Insurance prepaid	_	3400
Bank	?	5400 Cr

### **Additional information**

During the year machinery with a net book value of \$5600 was sold for \$1000, which was paid into Jasper's private bank account.

Jasper took a salary of \$28000 which was included in the wages account.

Mark-up is calculated as 75% on cost.

## **REQUIRED**

For the year ended 30 April 2010:

For
Examiner's
Use

(a)	Calculate Jasper's ordinary goods purchased (purchases).
	[3]
(b)	Calculate Jasper's sales.
	ren
	[5]

For Examiner's Use

Prepare Jasper's income statement (trading and profit and loss account).
[1

(d)	Prepare Jasper's balance sheet at 30 April 2010.	For
		Examine Use
	[6]	
	[0]	

[Total: 30]

2 The following information has been extracted from the accounts of Harvey Rabbit for the year ended 31 March 2010.

For Examiner's Use

	\$
Sales ledger balance at 1 April 2009	29 040
Credit sales	499892
Cash sales	14634
Credit sales returns	9878
Receipts from debtors, banked	462680
Discount allowed on credit sales	21 404
Bad debts written off	9510
Debtors' cheques dishonoured	662
Contra entries	1 153

#### **REQUIRED**

(a)	Prepare Harvey Rabbit's sales ledger control account for the year ended 31 March 2010.
	[10]

The total of Harvey Rabbit's sales ledger balances at 31 March 2010 was \$26845, which did not agree with the closing balance of his sales ledger control account. On checking his accounts he discovered the following errors.

- A credit note for \$420 which had been sent to a debtor had been entered in the sales journal (day book) and posted as a sale to both accounts.
- A debit entry in the sales ledger for \$698 had been set off as a contra entry in the purchases ledger, but no entry had been made in the control accounts.

3 The discount allowed account had been overstated by \$310.

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- 4 A sales invoice for \$998 had been completely omitted from the accounts.
- 5 A debit balance of \$2102 had been omitted from the list of debtors.
- A debtor who owed \$896 had been declared bankrupt during March 2010. The debt had been written off in the control account, but no entry had been made in the debtor's account.
- A receipt for \$630 had been debited to the bank account but omitted from the debtor's account.
- 8 An entry for \$816 in the sales journal (day book) had not been posted to the debtor's account.
- 9 A sales ledger account had been understated by \$200.
- 10 A page of the sales journal (day book) with entries totalling \$3856 had been omitted from total sales. The amounts had, however, been posted to the debtors' accounts.

#### **REQUIRED**

(b) (i) Beginning with the closing balance which you have calculated in (a), prepare a statement showing the amended balance on the control account.

Amendments to sales ledger control account
[6]

	statement amending the total of the sales ledger balance to agree with the n control account balance.
Stat	te three advantages of keeping control accounts.
	and the control of th

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Question 3 is on the next page.

**3** Garth Vader is a wholesaler who sells specialist cabinets. His fixed costs are \$8 million.

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He buys in cabinet 1 for \$400 and sells it for \$500.

As an alternative he is considering manufacturing the cabinets and has studied two methods of production.

The manufacture of cabinet 2 relies more on labour whilst cabinet 3 relies more on machinery. The costs would be as follows:

Variable costs per cabinet  Additional fixed costs per production line	Cabinet 2 \$240 \$36 million	Cabinet 3 \$220 \$79.2 million
Proposed selling price per cabinet	\$480	\$520

The additional fixed costs for cabinet 3 are higher as more expensive machinery has to be leased and additional factory rent will be paid.

It is assumed, whichever option is chosen, that all production will be sold.

Only **one** type of cabinet will be sold.

#### **REQUIRED**

(a)

(i)	Calculate for cabinet 2 the number to be sold so that the total annual costs equal the total purchase costs for cabinet 1.
	[3]
(ii)	Calculate for cabinet 3 the number to be sold so that the total annual costs equal the total purchase costs for cabinet 1.
	[3]
	[3]

	culate the profit or leads of:			tions at annual sales
<b>(!</b> \	200 000 units	Cabinet 1	Cabinet 2	Cabinet 3
(1)	200 000 unito			
(1)				
(1)				
(1)				
(i)				
(i)			Cabinet 2	
			Cabinet 2	
			Cabinet 2	

(iii)	300 000 units	Cabinet 1	Cabinet 2	Cabinet 3
				[9]
		s instead of buying in		
State	e <b>four</b> assumptions	made when using bre		[5]
	•••••			•••••
				[4]

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