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

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER					

2947950926

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.

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1	
2	
3	
Total	

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

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

	Dr $		Cr $
Cash and cheques	424 000	Machinery	30 400
		Payments to creditors	228 000
		Rent	24 200
		Insurance	14 200
		Wages	104 200
		Postage	800
		Electricity	8 400
		Sundries	4 200

Jasper's year-end balances were as follows:

	At 30 April 2009 $	At 30 April 2010 $
Trade receivables (debtors)	46 400	?
Inventory (stock)	24 400	30 600
Trade payables (creditors)	29 200	32 200
Machinery at net book value	206 400	216 000
Rent prepaid	–	6 200
Insurance prepaid	–	3 400
Bank	?	5 400 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 $28 000 which was included in the wages account.

Mark-up is calculated as 75% on cost.

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REQUIRED

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For the year ended 30 April 2010:

(a) Calculate Jasper's ordinary goods purchased (purchases).

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(b) Calculate Jasper's sales.

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

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(d) Prepare Jasper's balance sheet at 30 April 2010.

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[Total: 30]

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

	$
Sales ledger balance at 1 April 2009	29 040
Credit sales	499 892
Cash sales	14 634
Credit sales returns	9 878
Receipts from debtors, banked	462 680
Discount allowed on credit sales	21 404
Bad debts written off	9 510
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.

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The total of Harvey Rabbit's sales ledger balances at 31 March 2010 was $26 845, which did not agree with the closing balance of his sales ledger control account. On checking his accounts he discovered the following errors.

1 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.

2 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.

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

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.

6 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.

7 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

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(ii) Beginning with Harvey Rabbit's sales ledger balance of $26 845, prepare a statement amending the total of the sales ledger balance to agree with the new control account balance.

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(c) State **three** advantages of keeping control accounts.

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[Total: 30]

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Question 3 is on the next page.

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

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:

	Cabinet 2	Cabinet 3
Variable costs per cabinet	$240	$220
Additional fixed costs per production line	$36 million	$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.

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

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(b) Calculate the production levels in units at which the net profit for cabinet 2 would equal the net profit for cabinet 3.

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(c) Calculate the profit or loss attainable for **each** of the **three** options at annual sales levels of:

(i)

200 000 units	Cabinet 1	Cabinet 2	Cabinet 3

(ii)

250 000 units	Cabinet 1	Cabinet 2	Cabinet 3

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(iii) 300 000 units

Cabinet 1	Cabinet 2	Cabinet 3
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(d) Calculate the minimum production level in units at which it would pay Garth Vader to manufacture the cabinets instead of buying in cabinet 1.

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(e) State **four** assumptions made when using break-even analysis.

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[Total: 30]

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