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

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

3301140827

ACCOUNTING **9706/23**

Paper 2 Structured Questions **October/November 2012**

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.
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.

For Examiner's Use	
1	
2	
3	
Total	

This document consists of **13** printed pages and **3** blank pages.

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1 On 31 March 2012 the following balances were extracted from the books of YCAT.

		$
Inventory – 1 April 2011	Raw materials	53 000
	Work in progress	80 000
	Finished goods	76 000
Raw materials purchased		800 000
Revenue		2 500 000
Direct wages		450 000
Carriage inwards on raw materials		6 000
Indirect wages		68 000
Returns outwards on raw materials		18 500
Trade receivables		83 000
Revenue returns		22 000
Rates and insurance		38 000
General factory overheads		93 000
Loan interest paid		5 000
Office salaries		80 000
General office expenses		100 000
Premises		600 000
Factory machinery at cost		220 000
Provision for depreciation of factory machinery		40 000
10% Long term loan		100 000
Provision for doubtful debts		3 800

Additional information

			$
1	Inventory – 31 March 2012	Raw materials	47 000
		Work in progress	92 000
		Finished goods	68 000

2 The provision for doubtful debts is to be 5% of trade receivables.

3 At 31 March 2012 rates and insurance owing amounted to $950. Rates and insurance are apportioned between the factory and general office in the ratio of 4:1 respectively.

4 Depreciation is to be provided on premises at 5% per annum straight line. This is apportioned between the factory and general office in the ratio of 4:1 respectively.

5 Depreciation on factory machinery is to be provided at 15% using the reducing balance method.

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REQUIRED

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(a) Prepare the manufacturing account for the year ended 31 March 2012.

[13]

(b) Prepare the income statement for the year ended 31 March 2012.

For Examiner's Use

[11]

(c) Define the prudence concept. State **three** examples of how this has been applied in the financial statements.

For Examiner's Use

[6]

[Total: 30]

For Examiner's Use

2 Maurice and Ravel had been in partnership for a number of years, sharing profits and losses equally.

On 1 July 2011, they decided to admit Bach as a partner. Bach paid $39 000 capital into the partnership and also provided a motor van, valued at $8000, for partnership use.

A new partnership agreement was drawn up, effective from 1 July 2011 which stated:

1 Profits and losses will be shared by Maurice, Ravel, and Bach in the ratio 2:2:1.

2 Interest on capital is payable at 10% per annum.

3 Interest on drawings is charged at 5% on annual drawings.

4 Ravel would receive an annual salary of $10 000 per annum.

Goodwill in the business was valued at $40 000 and the partners agreed that this would not remain in the books.

Capital accounts before goodwill – 1 July 2011	Maurice	$120 000
	Ravel	$ 80 000

REQUIRED

(a) Prepare the capital accounts for all **three** partners at 1 July 2011.

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[5]

The following additional information relates to the year ended 30 June 2012

For Examiner's Use

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Revenue		2 600 000	
Revenue (sales) returns		200 000	
Purchases		1 625 000	
Inventory: 1 July 2011		120 000	
Inventory: 30 June 2012		145 000	
General expenses		480 000	
Current accounts – 1 July 2011	Maurice	17 000	Cr
	Ravel	12 000	Dr
Drawings	Maurice	96 000	
	Ravel	120 000	
	Bach	35 000	

REQUIRED

(b) (i) Prepare the income statement for the year ended 30 June 2012

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[6]

(ii) Prepare the appropriation account for the year ended 30 June 2012.

For Examiner's Use

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[9]

(c) Prepare the current accounts for all **three** partners at 30 June 2012.

For Examiner's Use

[7]

(d) The partners are now considering changing their business from a partnership to a limited company. Explain to the partners the meaning of the term 'limited liability'.

For Examiner's Use

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..... [3]

[Total: 30]

For Examiner's Use

3 ABG Ltd manufactures three products, Alpha, Beta and Gamma, all of which are made from one basic raw material.

Forecast costs and selling prices are as follows.

Product	Alpha	Beta	Gamma
Sales **per month** (units)	9 000	12 000	7 000
	$	$	$
Selling price per unit	72	74	58
Variable costs per unit:			
Direct material	18	25	16
Direct labour	19	14	13
Variable overheads	14	13	12

The total fixed costs are $250 000 each month.

REQUIRED

(a) Calculate the contribution per unit for **each** product.

[3]

For Examiner's Use

(b) Calculate the total monthly profit which can be achieved.

[5]

Due to a material shortage, ABG Ltd will only receive 80% of its material requirement for the month of April 2013. No other shortages are expected.

REQUIRED

(c) Using the quantity of material that is available, prepare a statement to show the maximum profit that could be achieved for the three months ended 30 April 2013.

[12]

For Examiner's Use

(d) ABG Ltd has received an enquiry for an additional order of 3000 units of Gamma at a special price of $50 per unit. Additional fixed costs of $15 000 would be incurred.

Assuming no material shortage, calculate the profit or loss on this order.

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(e) Identify **three** factors which ABG Ltd should consider when deciding whether to accept this additional order for Gamma.

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[Total: 30]

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