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

CANDIDATE NAME	
CENTRE NUMBER	CANDIDATE NUMBER

9854853085

ACCOUNTING **9706/23**

Paper 2 Structured Questions **October/November 2013**

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.

This document consists of **12** printed pages.

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1 The Cardio Health Club operates a fitness centre and a shop and has the following assets and liabilities.

	1 June 2012 $	31 May 2013 $
Premises	100 000	100 000
Sports equipment (at cost)	30 000	115 000
Sports equipment – depreciation provision	5 000	14 400
Shop inventory	8 500	4 800
Cash	250	250
Bank (current account)	10 000	?
Bank (deposit account)	2 000	?
Subscriptions outstanding	4 200	5 600
Subscriptions paid in advance	4 000	3 500
Shop staff wages accrued	1 000	3 000
Insurance paid in advance		1 000
Loan from sports association		40 000

The receipts and payments in the bank current account for the year ended 31 May 2013 were:

Receipts	$
Shop revenue	120 000
Subscriptions	44 000
Loan from sports association	40 000
Donations	450

Payments	$
Wages of fitness coaches	16 000
Sports equipment	85 000
Printing and stationery	5 500
Transfer to deposit account	300
Sundry expenses	800
Insurance	12 000
Heating and lighting	20 000
Wages of shop staff	27 000
Shop purchases for resale	32 500

Additional information

1 The wages of shop staff are treated as a direct cost.
2 Insurance and heating and lighting are apportioned 80:20 between the fitness club and the shop.
3 The loan from the sports association was received on 1 December 2012. Interest is payable at 6% per year.
4 Donations are treated as revenue.
5 During the year interest amounting to $90 had been credited to the bank deposit account.

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REQUIRED

For Examiner's Use

(a) Prepare the shop income statement for the year ended 31 May 2013.

[8]

(b) Prepare the income and expenditure account of the Cardio Health Club for year ended 31 May 2013.

For Examiner's Use

[14]

(c) Prepare the statement of financial position of the Cardio Health Club at 31 May 2013.

For Examiner's Use

[8]

[Total: 30]

2 Luing Limited's financial information for the year ended 31 December 2012 revealed the following:

For Examiner's Use

Gross profit ratio	35%
Net profit ratio	14%
Rate of inventory turnover	10 times
Trade payables turnover	42 days
Trade receivables turnover	58 days
Current ratio	3:1
Inventory at 1 January 2012	$7 800 000
Total revenue (all on credit) for 2012	$85 000 000

All purchases were on credit.

REQUIRED

(a) For the year ended 31 December 2012, calculate

(i) Gross profit

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..... [2]

(ii) Cost of sales

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..... [2]

(iii) Closing inventory

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..... [4]

(iv) Ordinary goods purchased

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..... [3]

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For Examiner's Use

(v) Profit for the year

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..... [2]

(vi) Expenses

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..... [2]

(vii) Trade payables

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..... [3]

(viii) Trade receivables

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..... [3]

(b) Identify **three** possible users of accounting ratios other than the directors of the company. State what information the users would obtain from the ratios.

For Examiner's Use

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..... [9]

[Total: 30]

For Examiner's Use

3 Argon is a manufacturing business divided into three separate departments, machining, finishing and stores.

The total estimated costs for the three months ending 31 October 2013 are as follows:

	$
Depreciation of plant	6 000
Lighting and heating	4 500
Plant insurance	4 800
Rent	18 000
Supervision	25 000

The following information is available for the three departments:

	Machining	Finishing	Stores
Floor area (sq metres)	5000	4500	500
Number of employees	12	8	5
Value of plant ($000's)	86	8	2
Number of orders from Stores	3600	1480	-
Budgeted machine hours	4250	820	-
Budgeted direct labour hours	1200	4950	-

REQUIRED

(a) (i) Apportion the costs to the **three** departments using the most suitable basis. Clearly state the basis you have used.

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(ii) Re-apportion stores costs to each production department on the basis of the number of orders.

For Examiner's Use

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(b) Calculate **to two decimal places** the forecast overhead absorption rate for the machining and finishing departments for the three months ending 31 October 2013.

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..... [6]

Actual figures for the three months ended 31 October 2013 are:

For Examiner's Use

	Machining	Finishing
Direct labour hours	1 430	5 000
Machine hours	6 000	805
Overheads incurred	$48 340	$22 780

REQUIRED

(c) Calculate the amount of overhead absorbed for each production department for the **three** months ended 31 October 2013.

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(d) Calculate the amount of under **or** over absorption for each production department.

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For Examiner's Use

(e) Explain what is meant by over and under absorption of overheads and how each will arise.

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..... [4]

[Total: 30]

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