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| Centre Number | Candidate Number | Name |
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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
 General Certificate of Education
 Advanced Subsidiary Level and Advanced Level

ACCOUNTING

9706/02

Paper 2 Structured Questions

May/June 2006

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.

Answer **all** questions.
 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 **14** printed pages and **2** blank pages.



(c) (i) Calculate the current ratio at 30 April 2006 to **two** decimal places.

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(ii) Calculate the acid test (quick) ratio at 30 April 2006 to **two** decimal places.

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(iii) Explain the uses of these two ratios, using Peter Jordan plc as an example.

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..... [6]

[Total: 30]

- 2 The Netherdale Sports Club's Receipts and Payments Account shows the following transactions for the year ended 30 April 2006.

| | \$ | | \$ |
|----------------------------|----------------|--------------------------------|----------------|
| RECEIPTS | | PAYMENTS | |
| Balance b/d | 20 000 | National club fees | 3 000 |
| Subscriptions | 72 000 | Restaurant supplies | 51 000 |
| Restaurant takings | 108 000 | Purchase of clubhouse | 50 000 |
| Annual dance | 8 900 | Loan interest | 2 200 |
| Sale of equipment | 6 000 | Purchase of equipment | 14 000 |
| Loan to purchase clubhouse | 20 000 | Restaurant wages | 22 000 |
| | | Repairs and maintenance | 12 400 |
| | | Annual dance | 4 950 |
| | | Administration of annual dance | 320 |
| | | Electricity | 11 000 |
| | | General wages | 60 000 |
| | | Balance c/d | <u>4 030</u> |
| | <u>234 900</u> | | <u>234 900</u> |
| Balance b/d | 4 030 | | |

When the club's bank statements for the year ended 30 April 2006 were studied, the following were discovered.

- (i) Bank interest of \$100 for the year had been credited in the bank statement but no entry appeared in the receipts and payments account.
- (ii) Electricity was paid by direct debit at \$1000 per month but the entry for January 2006 had been omitted from the receipts and payments account.
- (iii) \$4000 had been banked for restaurant takings on 30 April 2006. This had been entered in the receipts and payments account but did not appear on the bank statement.
- (iv) A cheque for \$2800 for repairs and maintenance, posted on 29 April 2006, was included in the receipts and payments account but had not yet been presented to the bank for payment.

REQUIRED

(a) (i) Update the Netherdale Sports Club's Receipts and Payments Account.

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(ii) Prepare a bank reconciliation statement at 30 April 2006 to reconcile the bank statement with the updated receipts and payments balance.

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(c) State **three** reasons why, for most clubs, a Receipts and Payments Account is not always a satisfactory record of the club's activities.

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[3]

[Total: 30]

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- 3 Hoi Poloi plc makes 3 types of filing cabinet, four-drawer, three-drawer and two-drawer. The business uses general purpose machines which are equally suitable to be used in the manufacture of all three products.

Data for the year ended 30 April 2005 was as follows:

| | four drawer \$ | three drawer \$ | two drawer \$ |
|-----------------------|----------------------|-----------------------|---------------------|
| Total sales | 410 400 | 123 900 | 427 500 |
| Total variable costs | 304 000 | 88 500 | 285 000 |
| Allocated fixed costs | 98 000 | 48 000 | 135 000 |
| Profit (Loss) | 8 400 | (12 600) | 7 500 |

It had been proposed that the three-drawer cabinet be discontinued, as it was making a loss.

REQUIRED

- (a) State whether this proposal should have been agreed, giving your reasons.

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Sales and cost data for the year ended 30 April 2006 were as follows:

| | four drawer | three drawer | two drawer |
|---|----------------|-----------------|---------------|
| Sales in units | 15 000 | 6 000 | 30 000 |
| Raw materials | \$12 | \$8 | \$4 |
| Variable overheads | \$3 | \$2 | \$2 |
| Unit contribution | \$7 | \$6 | \$5 |
| Machine hours per unit | 0.5 | 0.5 | 0.4 |
| Machine operators are paid \$10 per hour. | | | |
| Allocation of fixed costs | \$98 000 | \$48 000 | \$135 000 |

REQUIRED

(b) Calculate the selling price per unit for each product.

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(c) Calculate for **each** product the break-even point in both units and sales value.

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(d) Calculate for **each** product the profit or loss for the year ended 30 April 2006.

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