



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

CANDIDATE
NAME

CENTRE
NUMBER

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ACCOUNTING

9706/02

Paper 2 Structured Questions

May/June 2008

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.
 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.



- 1 Amah Retto's ledger accounts for the year ended 30 April 2008 showed the following balances:

| | \$ |
|---|---------|
| Premises at cost | 250 000 |
| Machinery at cost | 52 000 |
| Provision for depreciation on machinery at 1 May 2007 | 15 600 |
| Provision for doubtful debts at 1 May 2007 | 500 |
| Sales | 243 000 |
| Purchases | 184 000 |
| Sales returns | 2 040 |
| Purchases returns | 1 980 |
| Carriage inwards | 350 |
| Carriage outwards | 800 |
| Rent received | 2 420 |
| Discount allowed | 1 800 |
| Discount received | 1 300 |
| Electricity | 2 100 |
| General expenses | 9 340 |
| Stock at 1 May 2007 | 13 500 |
| Debtors | 9 000 |
| Creditors | 11 460 |
| Bank (Credit) | 8 260 |
| Cash | 990 |
| Drawings | 18 600 |
| Long-term loan at 11 % per annum | 60 000 |
| Capital | ? |

Additional information at 30 April 2008

- 1 Stock was valued at \$15 100.
- 2 No interest had been paid or provided for on the loan, which had been taken out on 1 November 2007.
- 3 Amah Retto's tenant had paid only eleven months' rent; one month's rent was due and unpaid.
- 4 Electricity prepaid amounted to \$40.
- 5 General expenses accrued amounted to \$50.
- 6 Debts of \$200 were to be written off.

Depreciation was to be provided on machinery at 40 % using the reducing (diminishing) balance method.

Doubtful debts provision was to be 3 % of debtors at the end of the year.

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..... [11]

(c) Use the answers to (a) and (b) to calculate the following ratios to **two** decimal places.

- (i) Current ratio;
- (ii) Liquid ratio;
- (iii) Rate of stock turnover;
- (iv) Gross profit as a percentage of sales;
- (v) Net profit as a percentage of sales.

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..... [5]

(d) (i) State **two** reasons for calculating ratios.

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..... [2]

(ii) State **four** user groups who might be interested in or make use of accounting ratios.

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..... [4]

[Total: 30]

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Use*

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Question 2 is on the next page.

- 2 A Marie Motiwala's draft profit and loss account for the year ended 30 April 2008 was prepared by her new book-keeper and showed a loss of \$100 000. The following errors were then discovered.
- 1 Capital of \$80 000 contributed by Marie Motiwala had been included in sales.
 - 2 Sales returns of \$20 000 had been debited to purchases returns.
 - 3 No provision for depreciation on equipment had been charged for the year. Depreciation should have been provided for using the reducing balance method at 40% per annum. The book value of equipment at 1 May 2007 was \$240 000.
 - 4 Accrued bank interest of \$10 000 payable at 30 April 2008 had been omitted from the accounts.
 - 5 Marie Motiwala's drawings of \$50 000 had been debited to wages.
 - 6 Stock valued at \$10 000 at 30 April 2008 should have been valued at \$1000.
 - 7 Stock costing \$11 000 taken for Marie Motiwala's personal use during the year had not been recorded in the accounts.
 - 8 A \$20 000 interest free loan to an employee had been debited to the wages account.
 - 9 \$100 000 had been debited to the equipment account. Of this amount, \$25 000 should have been debited to equipment repairs.
 - 10 Stock costing \$22 000 was delivered to the business on 28 April 2008 and was included in the end-of-year stocktaking. The invoice was received and entered into the accounting records on 3 May 2008.

B JR's sales ledger control account balances at 1 March 2008 were as follows.

| | |
|--------------|------------|
| Dr \$340 600 | Cr \$1 960 |
|--------------|------------|

During March 2008 the following transactions took place.

| | \$ |
|-------------------------------------|---------|
| Credit sales | 295 000 |
| Cash sales | 219 750 |
| Sales returns from credit customers | 6 480 |
| Receipts from debtors | 238 600 |
| Discounts allowed | 3 500 |

Additional information for the month of March 2008

- 1 The receipts from debtors included a cheque for \$3600 in full settlement of a debt of \$3800. This was returned by the bank on 28 March marked "insufficient funds".
- 2 Eva Little and JR both buy from and sell to each other. At 31 March 2008 Eva owed JR \$5000 and JR owed \$8600 to Eva. They agreed to offset balances, the net amount being payable by JR on 31 March 2008.
- 3 It was agreed that a debt of \$2300 from Alice Springs was bad and it was written off.
- 4 The total credit balances in the sales ledger control account at 31 March 2008 were \$8340.

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Use*

(b) State **three** possible reasons why a debtor's account might have a credit balance.

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(c) State **three** reasons for keeping control accounts.

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..... [3]

[Total: 30]

*For
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Use*

Question 3 is on the next page.

(c) State which option should be accepted, giving **one** advantage and **one** disadvantage, of that option.

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..... [3]

[Total: 30]

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