



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

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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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.

For Examiner's Use	
1	
2	
3	
Total	

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



- 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 \$	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.

- 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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Question 3 is on the next page.

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
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(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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