

CANDIDATE  
NAME

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CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ACCOUNTING**

**9706/23**

Paper 2 Structured Questions

**May/June 2015**

**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 an HB pencil for rough working.

Do not use staples, paper clips, 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.

- 1 Vikran, a sole trader, has extracted the following trial balance from his books of account at 30 June 2014.

	Dr \$	Cr \$
Bank	7 600	
Capital		200 000
Carriage inwards	4 200	
Factory supervision salaries	12 400	
General factory expenses	8 100	
Heat and light	5 400	
Indirect factory wages	36 800	
Insurance	12 000	
Inventory at 1 July 2013 at cost		
Raw materials	39 000	
Work in progress	48 000	
Finished goods	57 000	
Manufacturing wages	259 100	
Office salaries	37 300	
Office equipment at cost	90 000	
Plant and machinery at cost	270 000	
Provision for depreciation at 1 July 2013		
Office equipment		38 000
Plant and machinery		90 000
Provision for doubtful debts		1 600
Purchase of finished goods	2 100	
Purchase of raw materials	162 000	
Returns outwards (raw materials)		1 200
Rent and rates	42 000	
Returns inwards	1 800	
Revenue		768 500
Trade payables		30 300
Trade receivables	34 800	
	<u>1 129 600</u>	<u>1 129 600</u>

Additional information

- 1 Inventory at 30 June 2014 at cost:

	\$
Raw materials	46 000
Work in progress	54 000
Finished goods	52 000

- 2 Depreciation is to be provided on all non-current assets at 15% per annum using the reducing balance method.
- 3 The following expenses are to be apportioned.
- |                | Factory | Office |
|----------------|---------|--------|
| Rent and rates | 85%     | 15%    |
| Insurance      | 80%     | 20%    |
| Heat and light | 85%     | 15%    |
- 4 At 30 June 2014 insurance of \$4000 had been paid in advance.
- 5 At 30 June 2014 heat and light of \$600 had accrued but remained unpaid.
- 6 A bad debt of \$1800 is to be written off at 30 June 2014.
- 7 The provision for doubtful debts is to be maintained at 3% of trade receivables.







2 Alberto is a retailer and has provided the following statement of financial position at 31 August 2014.

	\$
Assets	
Non-current assets	<u>350 000</u>
Current assets	
Inventory	65 000
Trade receivables	<u>45 000</u>
	<u>110 000</u>
Total assets	<u>460 000</u>
Capital and liabilities	
Owner's capital	<u>420 000</u>
Current liabilities	
Bank overdraft	18 000
Trade payables	<u>22 000</u>
	<u>40 000</u>
Total capital and liabilities	<u>460 000</u>

The following additional information is also available for the year ended 31 August 2014.

	\$
Inventory at 1 September 2013	50 000
Purchases (all on credit)	280 000
Revenue (all on credit)	425 000

### REQUIRED

(a) Complete the following table.

Ratio	Formula	Calculation
Inventory turnover (in days)		
Trade receivables turnover (in days)		
Trade payables turnover (in days)		
Non-current asset turnover		
Current ratio		

[13]

**Additional information**

Credit terms negotiated with both customers and suppliers are 30 days net. Last year Alberto's inventory turnover was 60 days.

**REQUIRED**

**(b)** Evaluate Alberto's performance in respect of the following ratios.

**(i)** Inventory turnover .....  
.....  
.....  
..... [3]

**(ii)** Trade receivables turnover .....  
.....  
.....  
..... [3]

**(iii)** Trade payables turnover .....  
.....  
.....  
..... [3]

**Additional information**

Alberto is considering expanding his business by forming either a partnership or a private limited company.

**REQUIRED**

(c) State **two** advantages and **two** disadvantages of **each** option.

Partnership

Advantages:

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.....  
.....  
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Disadvantages:

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.....

Private limited company

Advantages:

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.....

Disadvantages:

.....  
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.....

[8]

**[Total: 30]**



3 Colebrook Limited manufactures one product. The following information is available.

Direct material	\$3.20 per unit
Direct labour	\$2.40 per unit
Selling price	\$14.00 per unit
Budgeted fixed overhead	\$88 000 per month
Budgeted production	16 000 units per month

The following information is available for February and March 2015.

	February	March
Actual sales (units)	13 000	17 000
Actual production (units)	15 000	15 000

There was no inventory of finished units at 1 February 2015. The actual fixed overhead cost was the same as the budgeted cost.

**REQUIRED**

(a) Calculate the contribution per unit.

.....

.....

..... [2]

**Question 3(b) is on the next page.**



**Additional information**

Colebrook Limited is considering changing to absorption costing.

- (c) Calculate the overhead absorption rate per unit produced.

.....  
 ..... [1]

- (d) Prepare the income statement for **each** of the months February and March 2015 using absorption costing.

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 ..... [11]

(e) Prepare a statement reconciling the marginal costing profit with the absorption costing profit for February **only**.

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..... [3]

(f) Explain why there is a difference in the profit between the two methods.

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..... [4]

**[Total: 30]**

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