



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**

**9706/02**

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	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>Total</b>	

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

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..... [4]

**[Total: 30]**

**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
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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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(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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**[Total: 30]**

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Use*

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**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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**[Total: 30]**

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