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Centre Number | Candidate Number

Candidate Name _____

CAMBRIDGE INTERNATIONAL EXAMINATIONS

General Certificate of Education
Advanced Subsidiary Level and Advanced Level

ACCOUNTING 9706/2

PAPER 2 Structured Questions (Core)

OCTOBER/NOVEMBER SESSION 2002

1 hour 30 minutes

Candidates answer on the question paper.
No additional materials are required.

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper. If you require extra space for your answers or workings, use page 9.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.

You may use a calculator.

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1	
2	
3	
TOTAL	

This question paper consists of 11 printed pages and 1 lined page.

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1 Dellow and Coucom are in partnership in a business which has three retail departments, Television, Computing and Telephones. The following balances were extracted from the business accounts at 30 April 2002:

		Dr $	Cr $
Purchases and Sales	Television	120 000	214 000
	Computing	220 000	428 000
	Telephones	40 000	107 000
Wages		56 000	
Stocks at 1 May 2001	Television	8 000	
	Computing	19 000	
	Telephones	3 000	
Sales staff salaries		147 000	
General expenses		5 000	
Office salaries		35 000	
Advertising		14 000	
Rent		40 000	
Electricity		9 000	
Insurance		5 000	
Motor Vehicles at cost		45 000	
Furniture & Fittings at cost		30 000	

NOTES
The following must now be taken into consideration.

Stocks at 30 April 2002:	Television	$17 000
	Computing	$40 000
	Telephones	$5 000

Stock-taking is computerised and is based solely on sales and purchases – no physical stock check has been taken.

Accruals at 30 April 2002:	General expenses	$2 000
	Electricity	$1 000
	Rent	$2 000

Number of sales staff employed	Television	3
	Computing	4
	Telephones	1

Commission is paid to sales staff at 1% of Sales.

Depreciation is charged to Motor Vehicles and Furniture & Fittings at 20% per annum on cost.

Floor space (square metres)	Television	2 000
	Computing	2 500
	Telephones	500

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Expenses are apportioned as follows:

Expense	Basis of apportionment
Wages	Sales
General expenses	Sales
Office salaries	Sales
Sales staff salaries	Number of sales staff
Advertising	Sales
Rent and rates	Floor area
Electricity	Floor area
Insurance	Floor area
Depreciation	Equally between departments

Dellow and Coucom share profits in the ratio of their Capital accounts, which at 1 May 2001 were:
Dellow: $60 000 Coucom: $40 000.
Interest on capital is payable at 1% of opening capital.
Cash drawings for the year were Dellow, $15 000 and Coucom, $4 000.
Interest is chargeable on drawings at 2% of total drawings for the year.
Coucom is paid a Partnership salary of $7 600.
During the year Coucom took from stock for her own use a Television costing $1 000. No entries were made for this in the accounts.

(a) Prepare, in columnar format, Departmental Trading and Profit and Loss Accounts for the year ended 30 April 2002.

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(b) Prepare the Partnership Appropriation Account for the year ended 30 April 2002.

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(c) It has been suggested that any department that is making a loss should be closed. Comment on this suggestion.

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2 (a) (i) Describe **three** different types of preference share.

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(ii) State the **major** differences between ordinary shares, preference shares and debentures.

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On 1 October 2001 Manny Kyoor and his wife formed a limited company, Kyoor Ltd, to run a beautician's business, and each paid in $37 500 as share capital. The bank loaned the company a further $80 000 at 9% interest per annum.

At 30 September 2002 the business's final accounts were drawn up as follows:

Trading and Profit and Loss Account for the year ended 30 September 2002

Sales and fees		$350 000
less Cost of Sales		
Stock bought 1 October 2001	$31 500	
Purchases	$280 000	
	$311 500	
Stock at 30 September 2002	$66 500	$245 000
Gross Profit		$105 000
less Expenses		
Rent and Rates	$3 950	
Advertising	$1 750	
Wages	$29 000	
Heat and Light	$5 250	
Interest due	$7 200	
Depreciation	$12 000	$59 150
Net Profit		$45 850

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Balance Sheet as at 30 September 2002

Fixed Assets	Cost	Deprec	NBV
Premises	$124 000		$124 000
Fixtures and fittings	$48 000	$12 000	$36 000
	$172 000	$12 000	$160 000
Current assets			
Stock	$66 500		
Debtors	$21 500	$88 000	
Amounts to be settled within one year			
Creditors	$21 000		
Interest due	$7 200		
Bank	$18 950	$47 150	$40 850
			$200 850
Amounts to be settled after more than one year			
Long term loan			$80 000
			$120 850
Share Capital and Reserves			
75 000 ordinary shares of $1			$75 000
Retained profit			$45 850
			$120 850

Industry average ratios and other relevant data concerning businesses similar to Kyoor Ltd were as follows:

(i)	Gross Profit percentage	30.00%
(ii)	Net Profit percentage	18.07%
(iii)	Current ratio	2.21:1
(iv)	Liquid (Quick) ratio	1.02:1
(v)	Stock Turnover ratio	8 times
(vi)	Fixed Assets to Sales	50.18%
(vii)	Return on Total Assets	25.37%
(viii)	Return on Net Assets	34.93%
(ix)	Debtors' Payment period	25 days
(x)	Creditors' payment period	30 days

(b) Calculate each of the above ratios, to 2 decimal places, for Kyoor Ltd.

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(ii) .....

(iii) .....

(iv) .....

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(c) Comment on the business's performance in the light of the data for the industry.
NOTE: It is not sufficient to say that a ratio is 'higher' or 'lower' than the industry average – it must be made clear whether you think it is **better** or **worse** than the industry average and you must give reasons for your comments.

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You may use this page for your workings.

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3 The Varihary Company manufactures 2 products, Sintax and Gremmer, which sell for $10 and $15 respectively.

The following figures apply to the year ended 30 September 2002:

	Sintax	Gremmer
Sales	$90 000	$30 000
Variable costs per unit	$6	$12

Fixed costs for the company amounted to $10 000.

(a) Calculate the number of units of Sintax and Gremmer sold during the year ended 30 September 2002.

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(b) Calculate the contribution to sales ratio for each product for the year ended 30 September 2002.

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(c) Calculate the contribution to sales ratio for the company for the year ended 30 September 2002.

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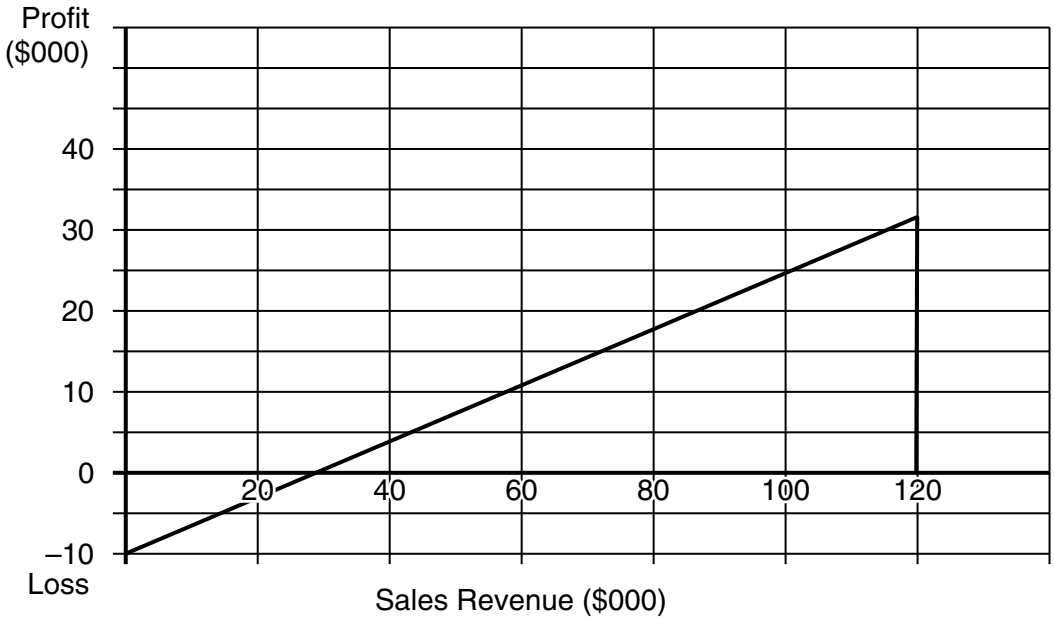
(d) From the following profit/volume chart for the company for the year ended 30 September 2002 determine the break-even point, the profit or loss at the present sales figure and the profit or loss at sales of $20 000. Indicate clearly whether these are profits or losses.



[3]

For the year ending 30 September 2003 the company expects to increase total sales revenue by 10%, half of the total increase to apply to each product. Unit prices and costs will be unchanged, and fixed costs will remain at $10 000.

(e) Calculate the number of units of Gremmer and Sintax which the company expects to sell during the year ending 30 September 2003.

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(f) Calculate the contribution to sales ratio for the company for the year ending 30 September 2003.

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(g) Draw a profit/volume chart for the company for year ended 30 September 2003, showing break-even point, and profit or loss at the expected sales figure and at sales of $60 000.

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