



Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE
NAME

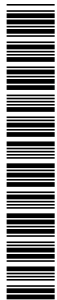
CENTRE
NUMBER

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ACCOUNTING

9706/23

Paper 2 Structured Questions

October/November 2014

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 **13** printed pages and **3** blank pages.

- 1 Asif operates a delivery service and does not keep proper accounting records. He provided the following information for the year ended 30 June 2014.

	\$
Cash in hand at 1 July 2013	3 270
Cash in hand at 30 June 2014	2 349
Cash receipts and payments:	
Vehicle repairs	2 400
Fuel payments for vehicles	14 301
Driver's wages	4 748
Rent of a garage	1 600
Sundry expenses	2 972
Drawings	11 450
Receipts from sale of old vehicle	1 300
Cash stolen by Asif's driver	430
Cash received from customers	?

REQUIRED

- (a) Prepare Asif's cash account for the year ended 30 June 2014.

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..... [7]

Additional information

Asif is considering introducing a system of credit control.

REQUIRED

(d) Explain the benefits this may bring to the business.

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..... [4]

(e) State **two** ratios that Asif could use to measure the profitability of his business.

1

2 [2]

[Total: 30]

2 Lance, a trader, has provided the following balances at 30 November 2014 after the preparation of the income statement for the year.

	\$000
Profit for the year	30
Non-current assets – at cost	500
–accumulated depreciation	200
Accrued expenses	20
Cash in hand	10
Bank overdraft	25
Inventory	80
Trade payables	35
Trade receivables	50
Bank loan (2020)	40
Opening capital	310
Drawings	20

REQUIRED

(a) Prepare the statement of financial position at 30 November 2014.

Lance
Statement of Financial Position at 30 November 2014

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REQUIRED

(d) Complete the following cash budget for December 2014.

Lance
Cash budget for December 2014

	\$
Receipts	
Payments	
Net cash flow	
Opening balance	
Closing balance	

[10]

[Total: 30]

3 KC Global Limited provides the following budgeted information.

	January 2015	February 2015
Production	10 000 units	10 000 units
Sales	7 000 units	13 000 units
Production costs per unit:		
Direct materials	\$4.50	\$4.50
Direct labour	\$6.00	\$6.00
Variable overheads	\$2.50	\$2.50

Additional information

- 1 The budgeted selling price per unit is \$17.
- 2 Budgeted production for the year is 120 000 units spread equally over the year.
- 3 There is no opening inventory at 1 January 2015.
- 4 Annual fixed overheads are budgeted to be \$324 000.
- 5 Fixed overheads are absorbed on a unit basis.

REQUIRED

(a) Calculate the monthly breakeven point in units.

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(b) Prepare forecast profit statements for January and February 2015 using absorption costing.

	January 2015 \$	February 2015 \$

[4]

(c) Prepare forecast profit statements for January and February 2015 using marginal costing.

	January 2015 \$	February 2015 \$

[4]

(d) Prepare a reconciliation statement showing the difference between the absorption costing profit and the marginal costing profit for January and February 2015.

	January 2015 \$	February 2015 \$
Absorption costing profit		
Marginal costing profit		

[4]

- (e) Explain why the absorption costing statement produces a different profit figure to the marginal costing statement.

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Additional information

The directors of KC Global Limited are considering an advertising campaign starting in January 2015. This will cost \$60 000 spread evenly over the year. The volume of sales and production would both increase by 10%.

REQUIRED

- (f) Prepare a revised profit statement for January 2015, using absorption costing.

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(g) State **three** situations where marginal costing would help in making a short term decision.

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(h) Evaluate the limitations of marginal costing.

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[Total: 30]

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