



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

**October/November 2013**

**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.

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 The Cardio Health Club operates a fitness centre and a shop and has the following assets and liabilities.

	1 June 2012	31 May 2013
	\$	\$
Premises	100 000	100 000
Sports equipment (at cost)	30 000	115 000
Sports equipment – depreciation provision	5 000	14 400
Shop inventory	8 500	4 800
Cash	250	250
Bank (current account)	10 000	?
Bank (deposit account)	2 000	?
Subscriptions outstanding	4 200	5 600
Subscriptions paid in advance	4 000	3 500
Shop staff wages accrued	1 000	3 000
Insurance paid in advance		1 000
Loan from sports association		40 000

The receipts and payments in the bank current account for the year ended 31 May 2013 were:

<b>Receipts</b>	\$
Shop revenue	120 000
Subscriptions	44 000
Loan from sports association	40 000
Donations	450

<b>Payments</b>	\$
Wages of fitness coaches	16 000
Sports equipment	85 000
Printing and stationery	5 500
Transfer to deposit account	300
Sundry expenses	800
Insurance	12 000
Heating and lighting	20 000
Wages of shop staff	27 000
Shop purchases for resale	32 500

### Additional information

- The wages of shop staff are treated as a direct cost.
- Insurance and heating and lighting are apportioned 80:20 between the fitness club and the shop.
- The loan from the sports association was received on 1 December 2012. Interest is payable at 6% per year.
- Donations are treated as revenue.
- During the year interest amounting to \$90 had been credited to the bank deposit account.







- 2 Luing Limited's financial information for the year ended 31 December 2012 reveals the following:

Gross profit ratio	35%
Net profit ratio	14%
Rate of inventory turnover	10 times
Trade payables turnover	42 days
Trade receivables turnover	58 days
Current ratio	3:1
Inventory at 1 January 2012	\$7 800 000
Total revenue (all on credit) for 2012	\$85 000 000

All purchases were on credit.

### REQUIRED

- (a) For the year ended 31 December 2012, calculate

- (i) Gross profit

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 ..... [2]

- (ii) Cost of sales

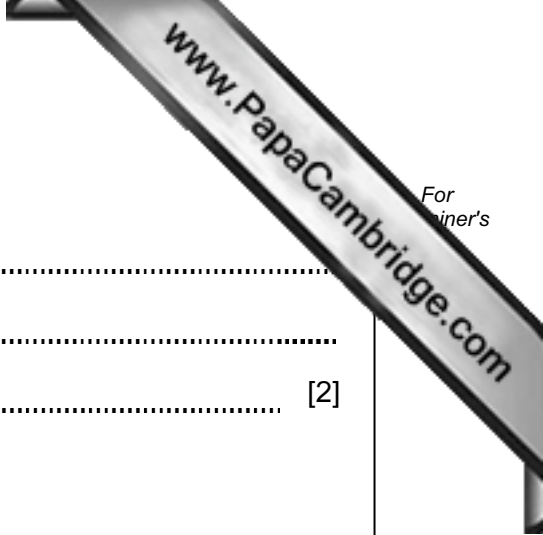
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- (iii) Closing inventory

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- (iv) Ordinary goods purchased

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 .....  
 ..... [3]



(v) Profit for the year

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.....  
..... [2]

(vi) Expenses

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.....  
..... [2]

(vii) Trade payables

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.....  
..... [3]

(viii) Trade receivables

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..... [3]



(b) Identify **three** possible users of accounting ratios other than the directors company. State what information the users would obtain from the ratios.

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[9]

[Total: 30]



3 Argon is a manufacturing business divided into three separate departments, machining, finishing and stores.

The total estimated costs for the three months ending 31 October 2013 are as follows:

	\$
Depreciation of plant	6 000
Lighting and heating	4 500
Plant insurance	4 800
Rent	18 000
Supervision	25 000

The following information is available for the three departments:

	Machining	Finishing	Stores
Floor area (sq metres)	5000	4500	500
Number of employees	12	8	5
Value of plant (\$000's)	86	8	2
Number of orders from Stores	3600	1480	-
Budgeted machine hours	4250	820	-
Budgeted direct labour hours	1200	4950	-

**REQUIRED**

(a) (i) Apportion the costs to the **three** departments using the most suitable basis. Clearly state the basis you have used.

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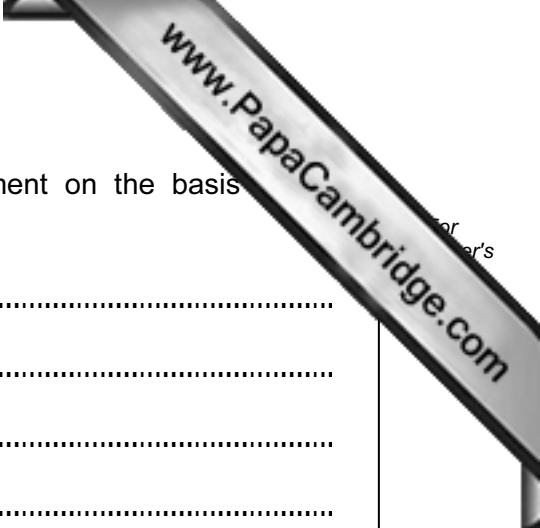
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[5]



(ii) Re-apportion stores costs to each production department on the basis of number of orders.

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(b) Calculate **to two decimal places** the forecast overhead absorption rate for the machining and finishing departments for the three months ending 31 October 2013.

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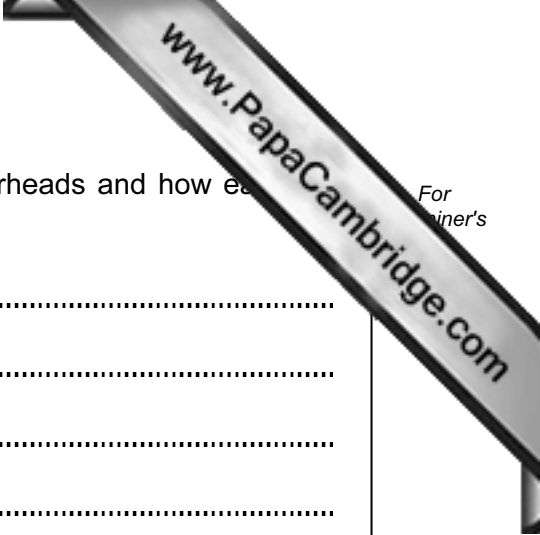
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(e) Explain what is meant by over and under absorption of overheads and how each can arise.

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**[Total: 30]**

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