



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

**May/June 2010**

**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.  
 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.

For Examiner's Use	
1	
2	
3	
<b>Total</b>	

This document consists of **11** printed pages and **1** blank page.



- 1 Jasper, a sole trader, has provided the following summary of his bank receipts and payments for the year ended 30 April 2010.

	Dr \$		Cr \$
Cash and cheques	424 000	Machinery	30 400
		Payments to creditors	228 000
		Rent	24 200
		Insurance	14 200
		Wages	104 200
		Postage	800
		Electricity	8 400
		Sundries	4 200

Jasper's year-end balances were as follows:

	At 30 April	
	2009 \$	2010 \$
Trade receivables (debtors)	46 400	?
Inventory (stock)	24 400	30 600
Trade payables (creditors)	29 200	32 200
Machinery at net book value	206 400	216 000
Rent prepaid	–	6 200
Insurance prepaid	–	3 400
Bank	?	5 400 Cr

### Additional information

During the year machinery with a net book value of \$5600 was sold for \$1000, which was paid into Jasper's private bank account.

Jasper took a salary of \$28 000 which was included in the wages account.

Mark-up is calculated as 75% on cost.















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**Question 3 is on the next page.**

3 Garth Vader is a wholesaler who sells specialist cabinets. His fixed costs are \$8 million.

He buys in cabinet 1 for \$400 and sells it for \$500.

As an alternative he is considering manufacturing the cabinets and has studied two methods of production.

The manufacture of cabinet 2 relies more on labour whilst cabinet 3 relies more on machinery. The costs would be as follows:

	Cabinet 2	Cabinet 3
Variable costs per cabinet	\$240	\$220
<b>Additional</b> fixed costs per production line	\$36 million	\$79.2 million
Proposed selling price per cabinet	\$480	\$520

The additional fixed costs for cabinet 3 are higher as more expensive machinery has to be leased and additional factory rent will be paid.

It is assumed, whichever option is chosen, that all production will be sold.

Only **one** type of cabinet will be sold.

**REQUIRED**

(a) (i) Calculate for cabinet 2 the number to be sold so that the total annual costs equal the total purchase costs for cabinet 1.

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..... [3]

(ii) Calculate for cabinet 3 the number to be sold so that the total annual costs equal the total purchase costs for cabinet 1.

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..... [3]



(iii) 300 000 units	Cabinet 1	Cabinet 2	Cabinet 3
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.....			[9]

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Use*

(d) Calculate the minimum production level in units at which it would pay Garth Vader to manufacture the cabinets instead of buying in cabinet 1.

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[5]

(e) State **four** assumptions made when using break-even analysis.

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[4]

**[Total: 30]**

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