

	UNIVERSITY OF CAMBRIDGE INTE General Certificate of Education Advanced Subsidiary Level and Adva		JS HAR ADEIS COM
CANDIDATE NAME			
CENTRE NUMBER		CANDIDATE NUMBER	
ACCOUNTING	3		9706/02
Paper 2 Struct	ured Questions		May/June 2007

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				
1				
2				
3				
Total				

1 hour 30 minutes

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



1 The following balances were extracted from Aurora's accounts at 31 March 2007.

	\$000
Sales	3 200
Purchases of raw materials	450
Purchases returns	18
Carriage inwards	10
Direct labour	400
Direct overheads	60
Rent	40
Electricity	30
Insurance	55
Factory supervision salaries	65
Office salaries	70
Indirect factory wages	13
Factory cleaning	50
Office cleaning	50
Stocks at 1 April 2006:	00
Raw materials	110
Work in progress	55
Finished goods	80
Factory machinery at cost	640
Provision for depreciation on factory machinery	280
······································	
Additional information at 31 March 2007:	
	\$000
Rent prepaid	5
Electricity accrued	15
Insurance prepaid	10
Stocks – Raw materials	140
Work in progress	75
Finished goods	170

Depreciation on factory machinery is to be provided at 25% per annum reducing balance.

Rent, electricity and insurance are apportioned on the basis of 80 % to factory and 20 % to office.

Finished goods are transferred to the trading account at total factory cost plus one third.

REQUIRED

(a) Prepare Aurora's manufacturing account for the year ended 31 March 2007.

3

[24]

(b) Prepare Aurora's trading account for the year ended 31 March 2007.

[6] [Total: 30] **2** Archie Pelago buys and sells a single product. His first three months of trading showed the following purchases and sales.

2005	Purchases	Sales
February	300 @ \$25	150 @ \$35
March	120 @ \$27	210 @ \$38
April	240 @ \$29	205 @ \$41

For the following requirements either perpetual **or** periodic inventory may be used. Calculations should be taken to a maximum of **two** decimal places.

REQUIRED

(a) Calculate Archie's closing stock at 30 April 2005 using the FIFO (first in first out) method of stock valuation.

(b) Calculate Archie's closing stock at 30 April 2005 using the LIFO (last in first out) method of stock valuation. [2] (c) Calculate Archie's closing stock at 30 April 2005 using the AVCO (weighted average cost) method of stock valuation. [2] _____

(d)	Calculate Archie's gross profit using each of the above methods of stock valuation.
	[10]

Archie Pelago's balance sheets at 30 April 2006 and 2007 were as follows:

	30 April 2006		30 April 2007			
	\$	\$	\$	\$	\$	\$
Fixed assets (Net book value) Premises			100 000			100 000
Equipment			<u>75 000</u> 175 000			<u>56 500</u> 156 500
Current assets						
Stock Debtors	7 500 10 800			6 800 8 900		
Bank Cash	2 000 400	20 700		- 400	16 100	
Current liabilities Creditors Bank	6 200 			7 300 <u>1 200</u>		
Net current assets		<u>6 200</u>	<u> 14 500</u> <u>189 500</u>		<u>8 500</u>	<u>7 600</u> <u>164 100</u>
Capital at 1 May 2006 Net profit (loss)			120 000 <u>83 500</u>			189 500 <u>(11 400</u>)
Less drawings			203 500 <u>14 000</u> <u>189 500</u>			178 100 <u>14 000</u> <u>164 100</u>

REQUIRED

(e) For each year, calculate to a maximum of two decimal places:

- (i) the current ratio;
- (ii) the liquid ratio.

[8]

(f) From your calculations in (e) and the balance sheets given in the question discuss **briefly** Archie's financial status on 30 April 2007 compared to 30 April 2006.

[3] [Total: 30] **3** Fernando manufactures 3 types of refrigerator for Household, Business and Factory use. The following data apply to the year ended 30 April 2007.

	Household	Business	Factory	Total
Sales (units)	2 400 \$	900 \$	2 250 \$	5 550 \$
Total sales value	240 000	108 000	360 000	708 000
Total costs				
Direct material	96 000	45 000	112 500	253 500
Direct labour	72 000	28 800	94 500	195 300
Variable overheads	24 000	13 500	45 000	82 500
Fixed overheads	<u>57 600</u>	27 000	<u>67 500</u>	<u>152 100</u>
	<u>249 600</u>	<u>114 300</u>	<u>319 500</u>	<u>683 400</u>
Profit (loss)	(9 600)	(6 300)	40 500	24 600

REQUIRED

(a) For the year ended 30 April 2007 calculate for each type of refrigerator:

- (i) the contribution per unit;
- (ii) the contribution as a percentage of sales.

Give answers to a maximum of **two** decimal places. Workings **must** be shown.

[12]

(b) Calculate the break-even point for **each** type of refrigerator in both **units** and **dollars**. Give your answers to the nearest whole number. Workings **must** be shown.

[12] (c) The table at the beginning of the question shows that both the Household and the Business models appear to be making a loss. Explain why Fernando should not cease production of these two types of refrigerator. [6] [Total: 30]

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.