

Centre Number	Candidate Number	Name
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CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education  
Advanced Subsidiary Level and Advanced Level

**ACCOUNTING**

**9706/02**

Paper 2 Structured Questions

May/June 2003

**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 in the spaces provided on the Question Paper.  
You may use a soft pencil for rough working.  
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.  
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.  
You may use a calculator.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

**For Examiner's Use**

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<b>Total</b>	

This document consists of **10** printed pages, **1** lined page and **1** blank page.



- 1 The following is the summarised Balance Sheet of Bracket & Racket Ltd, a limited company wholly owned by its two shareholders, Bracket and Racket.

Balance Sheet as at 31 March 2002

	\$000	\$000	\$000
<u>Fixed Assets at Net Book Value</u>			
Buildings			250
Fixtures and fittings			<u>100</u>
			350
<u>Current Assets</u>			
Stock	1540		
Debtors	820		
Cash	<u>3</u>	2363	
<u>Current Liabilities</u>			
Creditors for supplies	1210		
Accruals	192		
Bank	<u>203</u>	<u>1605</u>	<u>758</u>
			<u>1108</u>
Share capital – Ordinary shares			25
Retained profits			910
Loan accounts – Bracket		104	
Racket		<u>69</u>	<u>173</u>
			<u>1108</u>

The company accountant resigned at the beginning of April 2002 and proper records were not kept for the six-month period 1 April to 30 September 2002.

The following information is available for that six-month period.

	\$000
Payments by cheque for purchases	1996
Payments by cheque for expenses	823
Interest charged on overdraft	20
Cash and cheques banked	2784

Included in the amount banked was \$53 000 for the sale of an unused building, book value \$70 000.

Prior to banking the takings,

- (i) \$205 000 was used to pay wages for the six months;
- (ii) Bracket and Racket each reduced their loans to the firm by \$45 000.

Depreciation on all fixed assets which remain in the company's books at the end of an accounting period is calculated at 25% per annum on the net book value.

At 30 September 2002 the following figures were available.

	\$000
Creditors for supplies	510
Accruals	103
Debtors	420
Stock	704
Cash	8
Bank overdraft	195
Unpresented cheques	63

Doubtful debts are estimated at 5% at 30 September 2002 and a provision for doubtful debts at that date is to be created.

**REQUIRED**

(a) A Trading and Profit and Loss Account for Bracket and Racket Ltd for the six months ended 30 September 2002.

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The Company needs to improve its premises but the bank refuses either to allow a further increase in overdraft or to grant a loan.

**REQUIRED**

(c) State **six** other possible sources of finance.

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- 2 The following are the summarised Profit Statements and Balance Sheets for Greenyards Ltd, a manufacturing company, and Poynder Ltd, a retailer.

	Greenyards Ltd		Poynder Ltd	
Profit Statements for the years ended 31 March	2001	2002	2001	2002
	\$000	\$000	\$000	\$000
Sales	500	610	425	460
Cost of sales	(245)	(355)	(210)	(230)
Operating costs	(225)	(230)	(190)	(200)
Loan interest paid	(7)	(10)	(7)	(3)
Net profit	<u>23</u>	<u>15</u>	<u>18</u>	<u>27</u>
Balance sheets at 31 March				
Fixed Assets at Net Book Value	150	225	220	175
Stock	50	60	27	20
Debtors	20	30	–	–
Bank	10	(35)	13	57
Creditors	(25)	(20)	(35)	(50)
	<u>205</u>	<u>260</u>	<u>225</u>	<u>202</u>
Share capital	50	50	50	50
Retained profit	95	110	100	127
Long term loans	60	100	75	25
	<u>205</u>	<u>260</u>	<u>225</u>	<u>202</u>

**REQUIRED**

- (a) Use **six** ratios to compare the management's performance from 2001 to 2002 for **each** company.

Use year end figures, **not** averages, to calculate ratios.

Give answers to a maximum of one decimal place. Show **all** workings.

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**(b)** Comment on your findings.

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**(b)** Calculate the break-even point for each type of lock in both units and dollars.

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**(c)** Advise whether Angelicus should cease production of Domestic and Commercial locks. Give your reasons.

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