



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

9706/22

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 **10** printed pages and **2** blank pages.



- 1 Joe Brown has a petrol station which has three departments, fuel, car wash and café. The following information is available for the year ended 31 December 2012.

	Fuel \$	Car wash \$	Cafe \$
Revenue	735 600	30 650	61 300
Inventory at 1 January 2012	38 700	3 650	4 725
Purchases	454 320	7 240	9 620
Inventory at 31 December 2012	39 760	2 480	4 820
Direct wages	36 000	3 000	12 000
Non-current assets at cost	120 000	15 000	2 760
Accumulated depreciation	6 000	1 200	850

Additional information

Depreciation rate	10%	15%	15%
Depreciation method	Straight line	Reducing balance	Straight line
Floor area (square metres)	3 400	850	425

Other expenses for the year are:

	\$
Rent of premises	46 288
Electricity	18 300
Administration charges	17 119
Other expenses	54 023

The expenses are split between the departments on the following basis:

Rent of premises in the ratio of floor area,
 Electricity in the ratio 4:1:1 between fuel, car wash and café,
 Administration charges in the ratio of wages,
 Other expenses in the ratio of sales.

(b) Joe is considering closing the car wash department due to its poor profitability. Advise Joe on the long term effects of this decision.

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(c) Joe is looking for funds to improve the business. He is considering applying for either a bank loan or an overdraft. Explain **three** differences between a bank loan and an overdraft.

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[Total: 30]

*For
Examiner's
Use*

(b) Calculate the profit for the year ended 31 May 2013 before appropriation.

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For
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(c) Explain the term goodwill.

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3 Kirkton manufactures a single product, the Kirk. The following information relates to one unit of Kirk:

Per unit	\$
Selling price	35.00
Variable production costs	13.50
Fixed production costs	3.50
Variable selling costs	1.50
Fixed selling costs	1.00

For
Examiner's
Use

Kirkton produces and sells 800 Kirks a week.

REQUIRED

(a) (i) Calculate the weekly breakeven point in units.

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(ii) Calculate the weekly breakeven point in revenue.

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(iii) Calculate the margin of safety in revenue.

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(iv) Calculate the margin of safety as a percentage.

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