

Cambridge
International
AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE
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NUMBER

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ACCOUNTING

9706/23

Paper 2 Structured Questions

October/November 2014

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 an HB pencil for rough working.

Do not use staples, paper clips, 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 **13** printed pages and **3** blank pages.

Additional information

Asif is considering introducing a system of credit control.

REQUIRED

(d) Explain the benefits this may bring to the business.

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.....
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.....
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.....
..... [4]

(e) State **two** ratios that Asif could use to measure the profitability of his business.

1
2 [2]

[Total: 30]

REQUIRED

(d) Complete the following cash budget for December 2014.

Lance
Cash budget for December 2014

	\$
Receipts	
Payments	
Net cash flow	
Opening balance	
Closing balance	

[10]

[Total: 30]

3 KC Global Limited provides the following budgeted information.

	January 2015	February 2015
Production	10 000 units	10 000 units
Sales	7 000 units	13 000 units
Production costs per unit:		
Direct materials	\$4.50	\$4.50
Direct labour	\$6.00	\$6.00
Variable overheads	\$2.50	\$2.50

Additional information

- 1 The budgeted selling price per unit is \$17.
- 2 Budgeted production for the year is 120 000 units spread equally over the year.
- 3 There is no opening inventory at 1 January 2015.
- 4 Annual fixed overheads are budgeted to be \$324 000.
- 5 Fixed overheads are absorbed on a unit basis.

REQUIRED

(a) Calculate the monthly breakeven point in units.

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.....

..... [2]

(b) Prepare forecast profit statements for January and February 2015 using absorption costing.

	January 2015 \$	February 2015 \$

[4]

(c) Prepare forecast profit statements for January and February 2015 using marginal costing.

	January 2015 \$	February 2015 \$

[4]

(d) Prepare a reconciliation statement showing the difference between the absorption costing profit and the marginal costing profit for January and February 2015.

	January 2015 \$	February 2015 \$
Absorption costing profit		
Marginal costing profit		

[4]

(g) State **three** situations where marginal costing would help in making a short term decision.

1

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2

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3

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..... [3]

(h) Evaluate the limitations of marginal costing.

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..... [4]

[Total: 30]

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