



CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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9706/23

October/November 2020

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any rough working.
- You may use a calculator.
- You should present all accounting statements in good style.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [].

This document has **20** pages. Blank pages are indicated.

- 1 The directors of G Limited have provided a trial balance at 30 September 2020.

	Debit	Credit
	\$	\$
Administrative expenses	117 528	
Bank		10 316
Distribution costs	60 263	
Inventory at 1 October 2019	86 228	
Ordinary share capital (\$1 shares)		200 000
Property plant and equipment		
Cost	300 000	
Provision for depreciation at 1 October 2019		82 500
Provision for doubtful debts at 1 October 2019		1 528
Purchases	237 851	
Retained earnings		34 572
Revenue		498 430
Share premium		20 000
Trade payables		26 124
Trade receivables	71 600	
	<u>873 470</u>	<u>873 470</u>

The following information is also available.

- 1 Property plant and equipment

	Cost \$	Accumulated depreciation \$	Depreciation method	Allocation of depreciation
Land	120 000	Nil	–	Nil
Other than land	180 000	82 500	15% per annum straight-line	2/3 administrative expenses 1/3 distribution costs
Total	300 000	82 500		

There were no acquisitions or disposals during the year.

- 2 Inventory at 30 September 2020 cost \$91 368 and had a net realisable value of \$126 435.
- 3 The directors wish to maintain a provision for doubtful debts at 3% of trade receivables. All expenses relating to doubtful debts are charged to administrative expenses.
- 4 At 30 September 2020

	\$
Administrative expenses accrued	3850
Bank interest accrued	250
Distribution costs prepaid	1460

REQUIRED

(a) Prepare the income statement for the year ended 30 September 2020.

G Limited
Income statement for the year ended 30 September 2020

This image shows a full page of white paper with horizontal dashed lines, typical of primary-ruled notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Workings:

(b) Prepare the statement of financial position at 30 September 2020.

G Limited
Statement of financial position at 30 September 2020

[illegible]

Workings:

[7]

(c) State **two** differences between ordinary shares and preference shares.

1

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2

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[2]

(d) (i) Define a 'capital reserve'.

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..... [1]

(ii) State **one** use of a capital reserve.

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..... [1]

PLEASE TURN OVER

- 2 Simone operates a double entry system of book-keeping.

REQUIRED

- (a) Explain why a trial balance may be arithmetically correct even though errors have been identified.

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..... [2]

Additional information

Simone extracted a trial balance before preparing the financial statements for the year ended 30 June 2020. The totals of the trial balance did not agree.

The following errors were discovered.

- 1 A total of \$5600 from the sales returns journal had been credited to the purchases returns account.
- 2 A motor vehicle costing \$15 000, acquired on 1 March 2020, had been posted to the motor expenses account. Simone does not own any other vehicles.
- 3 Discount received of \$750 had not been posted to the discount received account.
- 4 A payment of \$300 for insurance had been entered correctly in the cash book. No other entry had been made.

REQUIRED

(b) Prepare the journal entries to correct the errors. Narratives are **not** required.

Simone
General journal

	Dr \$	Cr \$

[4]

PLEASE TURN OVER

3 Giles, a sole trader, provided the following information for the year ended 31 March 2020.

- 1 Closing inventory was valued at \$40 250 which was 15% higher than the opening inventory.
- 2 Rate of inventory turnover was 8 times.
- 3 Gross margin was 30%.
- 4 All sales and purchases were made on credit.
- 5 Trade receivables at 31 March 2020 were \$38 000 **before** accounting for an irrecoverable debt of \$2000 and an allowance for doubtful debts which is maintained at 3.5% of trade receivables.
- 6 Trade payables at 31 March 2020 were \$22 000.

REQUIRED

(a) Calculate the sales for the year ended 31 March 2020.

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(b) Calculate the trade receivables turnover (days).

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(c) Calculate the trade payables turnover (days).

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(d) Explain the effect on the liquidity of Giles's business of your answers to (b) and (c).

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[Total: 15]

- 4 Connie manufactures three products: A, B and C. She has provided the following budgeted information for one unit of each product for the year ending 31 December 2021.

	Product A	Product B	Product C
	\$	\$	\$
Selling price	15.00	20.00	25.00
Direct Materials	5.00	5.50	6.00
Direct Labour	4.00	5.00	7.50
Variable Overheads	2.50	3.50	2.50

Total fixed costs for the year are expected to be \$100 000.

Forecast annual demand for **each** product is 12 000 units.

REQUIRED

- (a) Explain what is meant by contribution.

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- (b) Calculate the budgeted unit contribution for **each** product.

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- (c) Calculate the budgeted **total** profit for the year ending 31 December 2021 if the demand is fully met.

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- (ii) Calculate the budgeted **total** profit for the year ending 31 December 2021 based on the optimum production plan.

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..... [3]

Additional information

If Connie pays her landlord \$65 000 she will be able to have unlimited machine hours.

REQUIRED

- (e) Advise Connie whether or not she should pay her landlord \$65 000. Justify your advice.

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..... [7]

(f) Define the following terms:

(i) Variable cost

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..... [1]

(ii) Semi-variable cost

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..... [1]

(iii) Fixed cost

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..... [1]

(g) State **three** assumptions made when using marginal costing.

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2
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3
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[3]

[Total: 30]

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