



CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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9706/23

October/November 2023

1 hour 45 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. Any blank pages are indicated.

- 1 B Limited provided the following information for the year ended 30 September 2023.

	\$
8% debenture (2025)	60 000
Administrative expenses	161 100
Allowance for irrecoverable debts at 1 October 2022	3 820
Cash and cash equivalents	4 680
Distribution costs	84 650
Dividend paid	4 000
Finance costs	3 950
Inventory	74 000
Other payables	1 860
Other receivables	940
Property plant and equipment at 1 October 2022	
Cost / valuation	408 400
Accumulated depreciation	110 650
Retained earnings at 1 October 2022	45 850
Revaluation reserve at 1 October 2022	10 000
Share capital (ordinary shares of \$1 each) at 1 October 2022	200 000
Share premium at 1 October 2022	14 000
Trade payables	57 150
Trade receivables	82 680

The revaluation reserve relates to land only.

The gross profit for the year ended 30 September 2023 was \$321 070.

The following information is also available.

Property plant and equipment at 1 October 2022

	Cost / valuation \$	Accumulated depreciation \$	Depreciation method	Allocation of depreciation
Land	95 000	Nil	—	Nil
Buildings	215 000	53 750	5% per annum straight line	} 60% administrative expenses 40% distribution costs
Equipment	98 400	56 900	20% per annum reducing balance	
Total	<u>408 400</u>	<u>110 650</u>		

There were no acquisitions or disposals of non-current assets during the year.

The following have not yet been accounted for:

On 30 September 2023

- 1 Land was revalued at \$80 000.
- 2 A bonus issue of one ordinary share for every ten shares held was made.

At 30 September 2023

- 1 Irrecoverable debts of \$1480 were to be written off.
- 2 The directors proposed to maintain the allowance for irrecoverable debts at 5% of trade receivables.
- 3 Depreciation was to be charged for the year ended 30 September 2023.
- 4 Administrative expenses of \$2480 were owing.
- 5 Distribution costs of \$750 were prepaid.
- 6 Debenture interest for five months was owing.
- 7 The charge for taxation was estimated to be \$12 500.

- (a) Prepare an extract from the statement of profit or loss for the year ended 30 September 2023 commencing with the gross profit for the year.

B Limited
Statement of profit or loss for the year ended 30 September 2023

	\$
Gross profit for the year	
Distribution costs	
Administrative expenses	
Profit from operations	
Finance costs	
Profit before taxation	
Taxation	
Profit for the year	

Workings:

Distribution costs
Administrative expenses

[10]

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- (b)** Prepare the statement of financial position at 30 September 2023. Use the space provided on **page 7** to show your workings.

B Limited
Statement of financial position at 30 September 2023

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:

Non-current assets
Trade and other receivables
Retained earnings
Trade and other payables

[15]

- 2** Alex owns a business selling computer equipment. He provided the following information for the year ended 31 July 2023.

- 1 Opening inventory at 1 August 2022 was \$19 100.
- 2 Gross profit for the year ended 31 July 2023 was \$56 380.
- 3 Cash sales were \$36 870. All other sales were made on credit.
- 4 All sales were made to achieve a gross margin of 25%.
- 5 All purchases were made on credit.
- 6 Inventory turnover was 8 times per annum.
- 7 Trade receivables at 31 July 2023 were \$23 150.
- 8 Trade payables at 31 July 2023 were \$17 370.

- (a)** Calculate the trade receivables turnover (days) for the year ended 31 July 2023. State the formula used.

Formula

.....

Calculation

.....

[3]

- (b) (i)** State the formula used to calculate the rate of inventory turnover (times).

.....
 [1]

(ii) Calculate the closing inventory at 31 July 2023.

.....

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.....

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..... [3]

(c) Calculate the trade payables turnover (days) for the year ended 31 July 2023. State the formula used.

Formula

.....

.....

Calculation

.....

.....

.....

.....

..... [3]

Additional information

Alex understands that by comparing his business's financial results with those of various other businesses he will learn how successful his own business is.

(d) Advise Alex whether his understanding is correct. Justify your answer.

[5]

[Total: 15]

- 3 The directors of J Limited provided the following information at 1 September 2022.

	\$
Share capital (ordinary shares of \$0.50 each)	60 000
Share premium	21 800
Retained earnings	32 600
Total equity	114 400

During the year ended 31 August 2023 the following transactions took place.

- 1 December 2022 Made a rights issue of one ordinary share for every five shares held at a premium of \$0.20. The issue was fully subscribed.
- 1 January 2023 Paid a final dividend of 4% on all shares in issue at 1 September 2022.
- 1 April 2023 Made a bonus issue of three ordinary shares for every eight shares held at that date. The directors wish to leave reserves in the most flexible form.
- 1 June 2023 Paid an interim dividend of \$0.02 per ordinary share on all shares in issue at that date.

Profit for the year ended 31 August 2023 was \$16 500.

(a) Prepare the following ledger accounts to record the transactions. Dates are **not** required.

Share capital

Details	\$	Details	\$
		Balance b/d	60 000

Share premium

Details	\$	Details	\$
		Balance b/d	21 800

Retained earnings

Details	\$	Details	\$
		Balance b/d	32 600

[9]

Additional information

J Limited currently operates a manual system of bookkeeping and the directors are now considering introducing a computerised accounting system.

(b) State **three** disadvantages of introducing a computerised accounting system.

- 1
 - 2
 - 3
- [3]

(c) State **three** ways in which the security of data in a computerised accounting system can be assured.

- 1
 - 2
 - 3
- [3]

[Total: 15]

4 Dev manufactures two products, Aye and Bee. He operates a system of marginal costing.

(a) Explain **one** difference between marginal costing and absorption costing.

.....
 [2]

(b) Explain **one** difference between a direct cost and an indirect cost.

.....
 [2]

(c) State the meaning of the following terms:

(i) break-even point

.....
 [1]

(ii) margin of safety.

.....
 [1]

(d) State **three** situations where marginal costing can help in decision-making.

1

 2

 3

 [3]

Additional information

Dev's business operates from one rented factory.

The forecast data for the year ending 31 December 2024 is as follows:

	Aye \$	Bee \$
Revenue (60 000 units at \$11.00)	660 000	
Revenue (80 000 units at \$8.50)		680 000
Direct materials	(192 000)	(256 000)
Direct labour	(156 000)	(208 000)
Supervisor fixed salaries	(60 000)	(35 000)
Variable overheads	(114 000)	(152 000)
Fixed factory overheads	(33 000)	(44 000)
Profit/(loss)	105 000	(15 000)

The fixed factory overheads are allocated on the basis of units produced.

(e) Calculate the break-even point **in units** for Aye.

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..... [3]

(f) Calculate the break-even point **in units** for Bee.

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..... [3]

Additional information

Dev is concerned about the forecast loss for Bee. He is considering two options.

Option 1

Replace the current model Bee with an upgraded model Bee.

Increase the selling price of Bee by 10%.

Increase the direct material price by \$0.45 per unit using an upgraded material.

Pay \$18 000 for an advertising campaign to announce the upgraded model.

Dev believes that this will result in a 20% increase in units of Bee sold.

Option 2

Discontinue production of Bee.

Make the supervisor of Bee redundant thereby incurring redundancy costs of \$6000.

Increase the advertising budget for Aye initially by \$8000.

Reduce the selling price of Aye by \$0.44 per unit.

Dev believes that this will result in a 50% increase in units of Aye sold.

(g) Calculate the revised **total** profit of the business if **option 1** is adopted.

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..... [5]

(h) Calculate the revised **total** profit of the business if **option 2** is adopted.

[5]

(i) Advise Dev which option he should choose. Justify your answer.

[5]

[Total: 30]

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