

CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

9706 ACCOUNTING

9706/22

Paper 2 (Structured Questions – Core),
maximum raw mark 90

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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	GCE AS/A LEVEL – October/November 2012	9706	22

1 (a) Statement of opening capital

	\$
Assets	
Premises	100 000
Equipment	24 000
Inventory	16 800
Bank	8 000
Trade receivables	26 800
Prepayments	<u>1 200</u>
	176 800
Less liabilities	
Trade payables	<u>21 200</u>
Capital at 1 May 2011	<u>155 600</u>

Award 1 mark for every pair, including the capital, where seen [4]

(b) Sharon Woo Income Statement for the year ended 30 April 2012

	\$	\$	
Revenue (sales)			
Cash (260 000 + 18 000)		278 000	2
Credit (40 000 + 24 800 – 26 800 + 7 200)		<u>45 200</u>	4
		323 200	
Cost of sales			
Inventory (1 June 2011)	16 800		
Purchases (216 000 + 22 400 – 21 200 + 10 800)			
	<u>228 000</u>		4
	244 800		
Inventory (30 April 2012)	<u>20 800</u>	224 000	
Gross profit		99 200	
Add discount received		<u>10 800</u>	1
		110 000	
LESS			
Discount allowed	7 200		1
Wages (22 000 + 12 000)	34 000		1
Rent (10 000 + 1 200 – 1 600)	9 600		1
Depreciation (24 000 + 20 000 – (4 800 + 400) – 36 400)	2 400		5
Loss on sale	<u>400</u>	<u>53 600</u>	
Net profit		<u>56 400</u>	[20]

(c) 1 of 1 of 1 of
 ROCE = 56 400/155 600 = 36.25% [3]

- (d)**
- Allows investor to make decisions between alternatives
 - Allows comparison with similar businesses
 - Allows comparison with less risky investments, e.g. Bank

One mark per relevant point to maximum of 3 [3]

[Total: 30]

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2 (a) Amina and Nizam
Appropriation account for the year ended 31 December 2011

	\$	\$	\$	
Profit for the year			120 000	
Add Charged for interest on drawings:				
Amina		1 300	1	
Nizam		<u>1 750</u>	1	3 050
				<u>123 050</u>
Less Salary: Amina		24 450	1	
Less Interest on capital:				
Amina	6 000	1		
Nizam	<u>9 600</u>	1	<u>15 600</u>	<u>40 050</u>
				<u>83 000</u>
Balance of profits shared:				
Amina		31 125	1	
Nizam		51 875		<u>83 000</u> [6]

(b) Current Account

	Amina	Nizam		Amina	Nizam	
	\$	\$		\$	\$	
Balance b/d	8 400	3 200	Interest on capital	6 000	9 600	1
Drawings	26 000	35 000	Salaries	24 450		1
Interest on Drawings	1 300	1 750	Share of Profit	31 125	51 875	1
Balance c/d	<u>25 875</u>	<u>21 525</u>	1 of			
	<u>61 575</u>	<u>61 475</u>		<u>61 575</u>	<u>61 475</u>	[6]

(c) Capital Account

	Amina	Nizam	Sarah		Amina	Nizam	Sarah	
	\$	\$	\$		\$	\$	\$	
Goodwill	12 000	20 000	8 000	1	Balance b/d	160 000	240 000	1
					Cash		70 000	1
					Inventory		30 000	1
					Motor vehicle		20 000	1
Balance c/d	<u>163 000</u>	<u>245 000</u>	<u>112 000</u>		Goodwill	<u>15 000</u>	<u>25 000</u>	1
	<u>175 000</u>	<u>265 000</u>	<u>120 000</u>			<u>175 000</u>	<u>265 000</u>	<u>120 000</u> [6]

(d)

1 Sales		18 200	1	
	Suspense			18 200 1
2 Suspense		9 600	1	
	Discounts allowed			9 600 1
Suspense		9 600	1	
	Discounts received			9 600 1
3 Bank		9 400	1	
	Suspense			9 400 1 [8]

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(e) Suspense Account			
Balance B/F	8 400	Sales	18 200 1
Discounts allowed	9 600 1	Bank	9 400 1
Discounts received	<u>9 600 1</u>		
	<u>27 600</u>		<u>27 600</u>

All OF from **(d)** [4]

[Total: 30]

3 (a)	Aloe	Hazel	Peach	
Sales (litres)	<u>120 000</u>	<u>39 000</u>	<u>60 000</u>	
Divided by per hour	8 litres	4 litres	5 litres	
Hours	15 000	9 750	12 000	
Total hours (15 000 + 9 750 + 12 000) =	36 750 hours			2 or 0 [2]

(b) Profit Statement

	Aloe	Hazel	Peach	
Sales (litres)	120 000	39 000	60 000	
	\$	\$	\$	
Sales income	960 000	546 000	600 000	
Less				
Direct materials	(324 000)	(304 200)	(321 600) 1	
Variable OH	(216 000)	(85 800)	(60 000) 1	
Direct labour	(48 000)	(31 200)	(38 400) 3	
Total contribution	372 000	124 800	180 000	
Less Fixed costs	(195 000)	(126 750)	(156 000) 3	
Net profit/loss	<u>177 000</u>	<u>(1 950)</u>	<u>24 000</u> 3	
Total profit	\$199 050 1			[12]

(c)	Aloe	Hazel	Peach	
Hours	15 000	9 750	12 000 1	
Total contribution	\$372 000	\$124 800	\$180 000 1	
C per labour hour	\$24.80	\$12.80	\$15.00 1	[3]

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(d)	Aloe	Peach	
Sales (litres)	132 000	66 000	1
Sales price	\$8	\$10	
	\$	\$	
Sales income	1 056 000	660 000	
Less			
Direct materials	(356 400)	(353 760)	1
Variable OH	(237 600)	(66 000)	1
Direct labour	(52 800)	(42 240)	1
Fixed costs	(214 500)	(171 600)	2
Net profit/loss	<u>194 700</u>	<u>26 400</u>	
Total Profit	221 100		
Less fixed OH under absorbed	<u>163 900</u>		2
Revised profit	\$57 200		1 [9]

- (e)** Original profit = \$199 050
Revised profit = \$ 57 200
Reduction in profit \$141 850

Maintain production of all 3 shampoos.

Do not halt production of Peach shampoo as fixed cost burden for other 2 products increases.

Peach is making a contribution to fixed costs.

Two marks per valid point.

[4]

[Total: 30]

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1 (a) Calculation of purchases of goods for re-sale

	\$		
Opening trade payables	(14 000)		
Payments to suppliers	88 600	1	
Closing trade payables	13 600	1	
Total goods for resale	88 200	1	[3]

(b) Calculation of total sales

	\$	
Opening trade receivables	(18 000)	
Receipts from customers	132 900	1
Closing trade receivables	20 500	1
Credit sales	135 400	1
Add: cash sales	6 600	1
Total sales	142 000	1

N.B. Accept creditors and debtors control accounts for marks [5]

(c) Calculation of stock loss

		\$	
Total sales		142 000	
Gross profit @ 40%		56 800	1
Cost of sales		85 200	1
Closing stock	$\$88\,200 + \$6\,000 - \$85\,200 =$	9 000	2
Actual stock @ cost	$\$14\,000 \times 60\% =$	<u>8 400</u>	2
Cost of stock lost		<u>600</u>	1 of [7]

of = own figure

(d) Asset disposal of account

	\$		\$
Cost of vehicle sold	16 000	Depreciation of vehicle (16 000 × 25% × 2)	8 000 2
Profit on disposal	600 1of	Bank	3 600 1
	<u>16 600</u>	Trade in allowance	<u>5 000 1</u>
			<u>16 600</u> [5]

Page 3	Mark Scheme	Syllabus	Paper
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(e) Income statement for the year ended 30 June 2012

Sales		142 000		
Opening inventory	6 000			
Purchases	88 200			
Closing inventory	(9 000)			
Cost of goods sold		<u>85 200</u>		
Gross profit		56 800	1 of	
Profit on disposal of vehicle		<u>600</u>	1 of	
		57 400		
Provision for doubtful debts (20 500 × 3%)	615	1		
Stock loss	600	1 of		
Expenses (17 400 – 500 – 320)	16 580	2		
Depreciation				
Fixtures				
(32 000 × 10%)	3 200	1		
Motor vehicles				
(65 000 – 16 000 + 20 000 × 25%)	<u>17 250</u>	2		
		38 245		
Net profit		<u>19 155</u>	1 of	[10]

[Total: 30]

2 (a)

	\$		\$	
Balance b/d	2 600	1	Balance b/d	6 300
Income and expenditure	86 980	1	Bank	84 400
			Bad debts	280
Balance c/d	<u>4 500</u>	1	Balance c/d	<u>3 100</u>
	<u>94 080</u>			<u>94 080</u>

[7]

**(b) PPE Rowing Club
Income and Expenditure Account for the year ended 31 March 2012**

	\$		\$	
Income				
Subscriptions	86 980	1 of		
Profit from competitions [12 200 – (3 100 + 800 – 300)]	8 600	4		
Profit from dinner dance [14 000 – (2 400 + 5 200)]	6 400	3		
Donations	1 500			
Interest	<u>500</u>	1		
			103 980	
Expenditure				
Insurance	9 800			
Clubhouse maintenance	10 300			
General expenses	29 800	1		
Electricity	1 600			
Bad debts	280	1		
Depreciation	40 000	1		
Loss on Sale of fixed asset	<u>2 000</u>	1		
			93 780	
Surplus of income			<u>10 200</u>	[13]

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(c)

PPE Rowing Club

Statement of Financial Position at 31 March 2012

Non current assets	\$	\$	\$
Clubhouse			150 000
Equipment			<u>140 000</u>
			290 000 1
Current assets			
Stock of prizes		300	
Subs owing		3 100	1
Interest owing		500	1
Deposit account		20 000	
Bank		<u>10 500</u>	2
		34 400	
Current liabilities			
Subscriptions in advance	4 500		1
General expenses owing	<u>400</u>		1
		4 900	
Working Capital			<u>29 500</u>
			<u>319 500</u>
Financed by			
Accumulated Fund			309 300 2 OR 0
Surplus of income			10 200 1 of
			<u>319 500</u>

Award 1 for Accumulated Fund figure of \$306 300 [10]

[Total: 30]

3 (a) (i)	Basic	Deluxe	Super	Total	
Units	4 000	2 000	500		
X by Hours	<u>3</u>	<u>5</u>	<u>8</u>		
				2	
Total labour hours	12 000	10 000	4 000	26 000	[2]

(ii) FOHRR – $\frac{\$39\,000\ \mathbf{1}}{26\,000\ \mathbf{1\ of}} = \$1.50 \text{ per DLH } \mathbf{1\ of}$ [3]

(iii)	Basic	Deluxe	Super	
	\$	\$	\$	
Sales price	12	20	30	
Variable cost	6	14	16	
Contribution per unit	6	6	14	1 × 3

[3]

(iv)	Basic	Deluxe	Super	
	\$	\$	\$	
Contribution per unit	6	6	14	
Labour hours	3	5	8	
Contribution per direct labour hour	2.00	1.20	1.75	1 × 3

[3]

Page 5	Mark Scheme	Syllabus	Paper
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(b)	Basic	Deluxe	Super	
Order of priority	1	3	2	
Sales	4 000	2 000	500	
Hours per unit	3	5	8	
Total hours	12 000	10 000	4 000	
Hours left		8 400		
	1	2	1	
Units	4 000	1 680	500	[4]

(c) (i) Profit Statement

	Basic	Deluxe	Super	
Sales (units)	4 000	1 680	500	
	\$	\$	\$	
Sales income	48 000	33 600	15 000	
Less				
Variable costs	<u>(24 000)</u>	<u>(23 520)</u>	<u>(8 000)</u>	
Total cont.	24 000	10 080	7 000	3
Less Fixed costs	<u>(18 000)</u>	<u>(12 600)</u>	<u>(6 000)</u>	3
Net profit/loss	<u>6 000</u>	<u>(2 520)</u>	<u>1 000</u>	1 [7]

(ii)	Estimated FC	\$39 000	1	
	Actual FC	<u>36 600</u>	1 of	
	OH underabs	<u>2 400</u>	1 of	[3]

(d)	\$
Sales price	100
Variable costs	95
Contribution	5

$$\text{BEP} = \frac{\$10\,000}{5} \mathbf{1} = 2\,000 \text{ units } \mathbf{1} = \$200\,000 \mathbf{1} \quad [3]$$

(e)	BEP = \$10 000/5 =	2 000 units	
	Less sales	2 200 units	
	Margin of safety	200 units	1
	Margin of safety (value)	\$20 000	1 [2]

[Total: 30]