| Page 1 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | A AND AS LEVEL – JUNE 2003 | 9706 | 1 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **D** | 16 | **B** |
| 2 | **A** | 17 | **A** |
| 3 | **A** | 18 | **A** |
| 4 | **A** | 19 | **D** |
| 5 | **C** | 20 | **B** |
| 6 | **D** | 21 | **C** |
| 7 | **A** | 22 | **C** |
| 8 | **B** | 23 | **C** |
| 9 | **B** | 24 | **D** |
| 10 | **B** | 25 | **A** |
| 11 | **B** | 26 | **C** |
| 12 | **C** | 27 | **D** |
| 13 | **B** | 28 | **A** |
| 14 | **C** | 29 | **D** |
| 15 | **C** | 30 | **D** |

**TOTAL 30**

CAMBRIDGE
INTERNATIONAL EXAMINATIONS

**JUNE 2003**

GCE A AND AS LEVEL

MARK SCHEME

MAXIMUM MARK: 90



SYLLABUS/COMPONENT: 9706/02

ACCOUNTING
Paper 2 (Structured Questions)

All amounts in $000

**1.**

| Working for sales | | |
|---|---|---|
| Cash-banked = 2784 - 53 | 2731 | (**1**) |
| Expenses | 205 | (**1**) |
| Loan accounts | 90 | (**1**) |
| Opening balance | (3) | (**1**) |
| Closing balance | 8 | (**1**) |
| | 3031 | |

| | | | |
|---|---|---|---|
| Bank – takings | 2731 | B/fwd | 203 |
| Buildings | 53 | Crs (purchases) | 1996 |
| Balance (195 + 63) | 258 | Expenses | 823 |
| | | Int on overdraft | 20 |
| | 3042 | | 3042 |

Trading and Profit and Loss Account
For 6 months ended 30 September 2002

**(a)**

| | | | | |
|---|---|---|---|---|
| Sales = 3031 + 420 (**1**) – 820 (**1**) | | | | 2631 |
| less cost of sales | | | | |
| Opening stock | | 1540 | | |
| + purchases 1996 – 1210 (**1**) + 510 (**1**) | | 1296 | | |
| | | 2836 | | |
| - Closing stock | | 704 | | 2132 |
| Gross profit | | | | 499 |
| less | | | | |
| Expenses = 823 (**1**) + 205 (**1**) – 192 (**1**) + 103 (**1**) | | 939 | (**4** if netted) | |
| Interest paid | | 20 | | |
| Depreciation (70/2) | (**1**) | 35 | | |
| Doubtful Debts provision | (**1**) | 21 | | |
| Loss on sale of fixtures | (**1**) | 17 | | 1032 |
| Net loss | | | | (533) |



**[16]**

Award marks where candidates have identified correct figures and have treated these figures correctly – up to 7 marks.

| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | A AND AS LEVEL – JUNE 2003 | 9706 | 2 |

**(b)**

Balance Sheet as at 30 September 2002

| | | | | | | |
|---|---|---|---|---|---|---|
| Fixed assets | | | | | 280 | (**1**) |
| less depreciation | | | | | 35 | (**1**) (**OF** from Trading P & L) |
| | | | | | 245 | |
| Current assets | | | | | | |
| Stock | | | 704 | | | |
| Debtors | | 420 | | | | |
| - provision | (**1**) | 21 | 399 | | | |
| Cash | | | 8 | 1111 | | |
| Current liabilities | | | | | | |
| Creditors | | | 510 | | | |
| Accruals | | | 103 | | | |
| Bank | (**1**) | | 258 | 871 | 240 | |
| | | | | | 485 | |
| Share capital | | | | | 25 | |
| Retained profits = 910 – 533 (**OF**) | | | | | 377 | (**1 + 1**) |
| Loan account – Bracket | | 104 - 45 | | 59 | | (**1**) |
| Loan account – Racket | | 69 - 45 | | 24 | 83 | (**1**) |
| | | | | | 485 | |

 **[8]**

**(c)** Mention of any 6 of the following, for **1** mark each:

Factoring
Leasing
Hire purchase (H.P.)
Creditors
Money lenders - friends/relatives
Mortgage/credit union
Another (merchant) bank
Shareholders
Etc.

**[6]**

**2 (a)**

| | GREENYARDS LTD | | | | POYNDER LTD | | | |
|---|---|---|---|---|---|---|---|---|
| | 2001 | | 2002 | | 2001 | | 2002 | |
| GP Ratio | 255 | 51% | 255 | 42% | 215 | 51% | 230 | 50% |
| | 500 | | 610 | | 425 | | 460 | |
| NP Ratio | 30 | 6% | 25 | 4.1% | 25 | 5.9% | 30 | 6.5% |
| | 500 | | 610 | | 425 | | 460 | |
| ROCE | 30 | 14.6% | 25 | 9.6% | 25 | 11.1% | 30 | 14.9% |
| | 205 | | 260 | | 225 | | 202 | |
| Current Ratio | 80 | 3.2:1 | 90 | 1.6:1 | 40 | 1.1:1 | 77 | 1.5:1 |
| | 25 | | 55 | | 35 | | 50 | |
| Quick Ratio | 30 | 1.2:1 | 30 | 0.5:1 | 13 | 0.4:1 | 57 | 1.1:1 |
| | 25 | | 55 | | 35 | | 50 | |
| Stock Turnover – times | 245 | 4.9 | 355 | 5.9 | 210 | 7.8 | 230 | 11.5 |
| – days | 50 | 74 | 60 | 62 | 27 | 47 | 20 | 32 |
| Debtors Turnover – days | 20x365 | | 30x365 | | | | | |
| | 500 | 15 | 610 | 18 | | | | |

Any other relevant ratios acceptable

**1** for each pair correctly calculated to maximum

**[12]**

**(b)** Greenyards' GP, NP and ROCE ratios have worsened, whilst its current and quick ratios have improved – they were too high in 2001. Stock turnover is faster – good, provided it is not at the expense of profit – but debtors' payments has lengthened which means that cash is slower coming in – not good, although it may encourage credit customers to continue buying from Greenyards. (Candidates should state whether the ratio is better or worse, and not just 'up' or 'down', as the ratios must be analysed.)



Although Poynder's GP ratio has worsened slightly, its NP ratio has improved, showing a better net profit for every $ of sales. Current ratio is at a reasonable level, but quick ratio looks as if it is improving. Stock turnover rate has, unfortunately, decreased, but this is counteracted by improved ROCE.

**1** for each point to maximum **[12]**

**(c)** Shortcomings and dangers of ratio analysis:

(i) Requires a basis of comparison – one ratio on its own no use – must compare to, e.g., last year's figures, other companies' figures, etc.
(ii) Ratios need to be analysed for successful conclusion
(iii) Each industry has different standards to be adhered to
(iv) Outside influences can affect ratios – e.g. national/world economy, trade cycles
(v) Care must be taken to compare like with like, as definitions of terminology may vary
(vi) Easy for the inexpert to arrive at false conclusion
(vii) Different accounting policies between companies may render ratios incompatible

(viii) Ratios can over-simplify a situation
(ix) Prepared using historical costs, so can be out of date
(x) Need more than ratios to get an accurate view of the company
Etc.

**1** for each point to maximum **[6]**

**3 (a)**

| | | Domestic | Commercial | Industrial | |
|---|---|---|---|---|---|
| **(i)** | Per Unit | | | | |
| | Selling price | $2.00 | $4.00 | $8.00 | (**3**) |
| | Direct materials | $0.90 | $1.47 | $1.49 | |
| | Direct labour | $0.50 | $0.66 | $2.67 | |
| | Variable overheads | $0.20 | $1.20 | $2.13 | |
| | Total variable costs | $1.60 | $3.33 | $6.29 | (**3**) |
| **(ii)** | Contribution per unit | $0.40 | $0.67 | $1.71 | (**3**) |
| | Contribution as % of sales | 20 | 16.75 | 21.375 | (**3**) (**OF** if answer is based on OF above) |

**[12]**

**(b)**

| | Domestic | Commercial | Industrial | |
|---|---|---|---|---|
| Fixed Costs | 54000 | 33000 | 42000 | (**3**) |
| contribution | $0.40 (**OF**) | $0.67 (**OF**) | $1.71 (**OF**) | (**3**) (**OF**) |
| Units at break-even (**OF**) | 135000 (**OF**) | 49254 (**OF**) | 24562 (**OF**) | (**3**) |
| Dollars at break-even (**OF**) | 270000 (**OF**) | 197016 (**OF**) | 196496 (**OF**) | (**3**) |



**[12]**

**(c)** Although the figures given appear to show loss of $6000 for Domestic and $3000 for Commercial, this is because of the method of absorption of fixed overheads. If these two production lines were closed then **all** of the fixed overheads would have to be absorbed by Industrial, which would reduce its profit of $54000 to a loss of $33000. That is as follows:

| | $000 | $000 |
|---|---|---|
| Sales | | 450 |
| Variable costs (unchanged) | 354 | |
| Add **all** fixed costs | 129 | 483 |
| Profit (Loss) | | (33) |

Provided a product shows a positive contribution and the **total** contribution for all products is positive, then there is no reason to close a production line.

Maximum **[6]**

**Grade thresholds** taken for Syllabus 9706 (Accounting) in the June 2004 examination.

| | maximum mark available | minimum mark required for grade: | | |
|---|---|---|---|---|
| | | A | B | E |
| Component 1 | 30 | 21 | 19 | 14 |
| Component 2 | 90 | 64 | 58 | 38 |
| Component 3 | 30 | 22 | 20 | 14 |
| Component 4 | 120 | 88 | 79 | 45 |

The thresholds (minimum marks) for Grades C and D are normally set by dividing the mark range between the B and the E thresholds into three. For example, if the difference between the B and the E threshold is 24 marks, the C threshold is set 8 marks below the B threshold and the D threshold is set another 8 marks down. If dividing the interval by three results in a fraction of a mark, then the threshold is normally rounded down.

**JUNE 2004**

GCE A AND AS LEVEL

| |
|---|
| MARK SCHEME |
| MAXIMUM MARK: 30 |
| SYLLABUS/COMPONENT: 9706/01<br>ACCOUNTING<br>Paper 1 (Multiple Choice) |

| Page 1 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | ACCOUNTING – JUNE 2004 | 9706 | 1 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **B** | 16 | **B** |
| 2 | **D** | 17 | **B** |
| 3 | **A** | 18 | **D** |
| 4 | **D** | 19 | **A** |
| 5 | **B** | 20 | **D** |
| 6 | **B** | 21 | **C** |
| 7 | **B** | 22 | **C** |
| 8 | **A** | 23 | **A** |
| 9 | **C** | 24 | **A** |
| 10 | **C** | 25 | **A** |
| 11 | **C** | 26 | **B** |
| 12 | **A** | 27 | **C** |
| 13 | **C** | 28 | **B** |
| 14 | **A** | 29 | **A** |
| 15 | **C** | 30 | **B** |

**TOTAL 30**

**JUNE 2004**

GCE A AND AS LEVEL

| |
|---|
| MARK SCHEME |
| MAXIMUM MARK: 90 |
| SYLLABUS/COMPONENT: 9706/02<br>ACCOUNTING<br>Paper 2 (Structured Questions) |



UNIVERSITY of CAMBRIDGE
International Examinations

| Page 1 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | ACCOUNTING – JUNE 2004 | 9706 | 2 |

**AS ACCOUNTING - SUMMER 2004**

Al

| | | 2002 | 2003 |
|---|---|---|---|
| (a) | | | |
| (i) | Acid Test (Liquid) Ratio = CA-stock:CL, | 1.61 :1 | 0.68 :1 |
| (ii) | Stock turnover = CoGS/Ave stock | 16.43 times | 8.40 times |
| | | 22.21 days | 43.45 days |
| (iii) | Debtors collection period = Debtorsx365/sales | 61.64 days | 89.43 days |
| (iv) | Gross Profit Ratio = GPx100/Sales | 30.00 % | 24.17 % |
| | | 0.30 :1 | 0.24 :1 |
| (v) | Net Profit Ratio = NPx100/Sales | 11,11 % | 8.83 % |
| | | 0.11 | 0.08 :1 |
| (vi) | ROCE = NP before int x100/Cap employed | 12.17 % | 12.05 % |

1 for each correct ratio to a maximum of (12)

If no suffix, award 1 for each correct pair:

If answer not to 2 decimal places, but correct working shown, full marks.

(b) Acid test worse, due to lack of cash because of expenditure on stock
Stockturn worse due to surplus unsold stock
Debtors collection worse due to poor credit control.
GP ratio worse due to increased cost price not passed on to customer.
NP ratio worse due to increased operating expenses.
ROCE almost unchanged/slightly worse due to similar rates of change in capital and net profit

2 for each, maximum (12)

These answers are not exclusive - use your judgement.

| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | ACCOUNTING – JUNE 2004 | 9706 | 2 |

(c) Advantages

Show trends
Help compare with (i) earlier years
(ii) other businesses
Help decision making
Show particular problem areas

Maximum (3)

Disadvantages

Comparisons may be difficult due to
(i) changes in the economy
(ii) changes in technology
(iii) changes in Staff
(iv) changes in company policy
Reasons for changes are not always obvious
Accuracy of information may be a problem
Historic cost used - takes no account of inflation

Maximum (3)

These answers are not exclusive - use your judgement.

| Page 3 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | ACCOUNTING – JUNE 2004 | 9706 | 2 |

**A S ACCOUNTING - SUMMER 2004 - 9706/2**
**A2**
(a)

Working for Goodwill

| | | | Titus | Ronicus | Net effect |
|---|---|---|---|---|---|
| | | Introduced | $ | $ | $ |
| $30 000 worth | $45 000 | Titus | 15 000 Cr | | 15 000 Cr |
| $27 100 worth | $30 000 | Ronicus | | 2 900 Cr | 2 900 Cr |
| | | Titus | 9 000 Dr | 6 000 Dr | 15 000 Dr |
| | | Ronicus | 1 740 Dr | 1 160 Dr | 2 900 Dr |
| | | Net | 4260 Cr | 4 260 Dr | |

Must have same amount total of goodwill on both sides and must cancel out or no marks as Goodwill would otherwise have to appear as an account.

Capital Accounts

| | Titus | Ronicus | | | Titus | Ronicus | | |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | | | $ | $ | | |
| Goodwill | | 4 260 | **2** | Sundries | 45 000 | 30 000 | **2** | |
| Balance c/d | 49 260 | 25 740 | **1** | Goodwill | 4 260 | | **2** | |
| | 49 260 | 30 000 | | | 49 260 | 30 000 | | |
| | | | | Balance b/d | 49 260 | 25 740 | **1 OF** | **(8)** |

Alternative Capital Accounts



| | Titus | Ronicus | | | Titus | Ronicus | | |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | | | $ | $ | | |
| Goodwill | 1 740 | 6 000 | **2** | Sundries | 45 000 | 30 000 | **2** | |
| Balance c/d | 49 260 | 25 740 | **1** | Goodwill | 6 000 | 1 740 | **2** | |
| | 51 000 | 31 740 | | | 51 000 | 31 740 | | |
| | | | | Balance bid | 49 260 | 25 740 | **1 OF** | **(8)** |

| | Titus | Ronicus | | | Titus | Ronicus | | |
|---|---|---|---|---|---|---|---|---|
| Goodwill | 10 740 | 7 160 | **2** | Sundries | 45 000 | 30 000 | **2** | |
| Bal cid | 49 260 | 25 740 | **1** | Goodwill | 15 000 | 2 900 | **2** | |
| | 60 000 | 32 900 | | | 60 000 | 32 900 | | |
| | | | | Bal b/d | 49 260 | 25 740 | **1 OF** | **(8)** |

| Page 4 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | ACCOUNTING – JUNE 2004 | 9706 | 2 |

(b) Profit and Loss Appropriation Account for the year ended 30 September 2004

| | | $ | $ | $ | | |
|---|---|---|---|---|---|---|
| Net Profit | | 56 000**(1)** + 1050 **(2)** | | 57 050 | **3** | |
| Interest on Drawings | Titus | 450 | | | | |
| | Ronicus | 250 | | 700 | **1 Not 2** | |
| | | | | 57 750 | | |
| Interest on Capital | Titus | 2 463 | | | **1 OF** | |
| | Ronicus | 1 287 | 3 750 | | **1 OF** | |
| Partner's Salary | Ronicus | | 20 000 | 23 750 | **1** | |
| | | | | 34 000 | | |
| Share of Residue | Titus | 20 400 | unless | | **1 OF** | |
| | Ronicus | 13 600 | aliens | 34 000 | **1 OF** | (9) |

(c) Current Accounts

| | Titus $ | Ronicus $ | | Titus $ | Ronicus $ | | |
|---|---|---|---|---|---|---|---|
| Drawings | 9 000 | 5 000 | 2 Share of Residue | 20 400 | 13 600 | **2** | |
| Int on drawings | 450 | 250 | 2 Int on Capital | 2 463 | 1 287 | **2** | |
| Goods taken | 600 | 450 | 2 Salary | | 20 000 | **1** | |
| Balance c/d | 12813 | 29187 | 1 | | | | |
| | 22863 | 34 887 | | 22 863 | **34 887** | | |
| | | | Balance b/d | 12 813 | 29 187 | **1** | (13) |

| Page 5 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | ACCOUNTING – JUNE 2004 | 9706 | 2 |

**A/S ACCOUNTING SUMMER 2004 - 9706/2**

Hours worked = 30 workers x 30 hours x 50 weeks = 45000 =10 hours/unit = $6/hour

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| A3 | | | | $ | $ | | |
| (a) | Sales | | 4500 x 250 | | 1,125,000 | **1** | |
| | Direct Materials | 4500 x 35 | | 157,500 | | **1** | |
| | Direct Labour | 45000 x 6 | | 270,000 | | **2** | |
| | Variable Costs | | | | | | |
| | V Overheads | 4500 x 12 | | 54,000 | | | |
| | Administration | 4500 x 14 | | 63,000 | | **1** | |
| | | | | | 544,500 | | |
| | | | | | 580,500 | | |
| | Fixed Costs | | | | | | |
| | Fixed o'heads | | | 125,000 | | **1** | |
| | Administrative | | | 70;000 | | **1** | |
| | Advertising | | | 150,000 | | **1** | |
| | Total Fixed Costs | | | | 345,000 | | |
| | Net Profit | | | | 235,500 | **1** | |
| | | | | | | | **(10)** |
| **(b)(i)** | Sales | | 5000 x 250 | | 1,250,000 | **1** | |
| | Direct Materials | 5000 x 35 | | 175,000 | | | |
| | Basic D Labour | 4.5000 x 6 | | 270,000 | | **1** | |
| | 5000 extra hours | 5000 x 9 | | 45,000 | | **1** | |
| | Extra costs | 5000 x 1.5 | | 7,500 | | **1** | |
| | VO | | | 60,000 | | | |
| | V Admin 0 | | | 70,000 | | | |
| | Fixed costs | | 125,000 | | | ) | |
| | | | 70,000 | | | )1 | |
| | | | 150,000 | 345,000 | 972,500 | ) | |
| | Net Profit | | | | 277,500 | **1** | **+ 1 of** |
| | | | | | | | **(7)** |
| (b)(ii) | Sales | | | | 1,250,000 | | |
| | DM | | | 157,500 | | | |
| | DL | | | 270,000 | | | |
| | VO | | | 54,000 | | | |
| | V Admin 0 | | | 63,000 | | | |
| | Fixed Costs | | | 345,000 | | **1** | |
| | Lease | | | 50,000 | | **2** | |
| | | | | | 939,500 | | |
| | Net Profit | | | | 310,500 | **1 + 1of** | |
| | **NB No marks for profit if market research included** | | | | | | **(5)** |

Due to wording of question, accept any figures in (a) or (b) for variable costs.

| | | | | | | |
|---|---|---|---|---|---|---|
| (b)(iii) | Sales | | | 1,250,000 | | |
| | DM | | 157,500 | | | |
| | DL | | 270,000 | | | |
| | VO | | 54,000 | | | |
| | V Ad O | | 63,000 | | | |
| | Fixed Costs | | 345,000 | | **1** | |
| | Cost of buying in | 500 x 200 | 100,000 | | **2** | |
| | | | | 989,500 | | |
| | Net Profit | | | 260,500 | **1 +1of** | |

**Fixed costs will have to be calculated in most cases.** (5)

(c) Option 1
Second most profitable option, but could lead to employees expecting overtime in future.

Option 2
Market research costs already spent, so no further outlay, and best net profit. But there may be teething troubles and possible re-training problems.

Option 3
No additional capital outlay, but possible problems of quality control.

**Any** three relevant points **(3)**

If unit costing used, award where correct.

**Grade thresholds** for Syllabus 9706 (Accounting) in the June 2005 examination.

| | maximum mark available | minimum mark required for grade: | | |
|---|---|---|---|---|
| | | A | B | E |
| Component 1 | 30 | 20 | 18 | 12 |

The thresholds (minimum marks) for Grades C and D are normally set by dividing the mark range between the B and the E thresholds into three. For example, if the difference between the B and the E threshold is 24 marks, the C threshold is set 8 marks below the B threshold and the D threshold is set another 8 marks down. If dividing the interval by three results in a fraction of a mark, then the threshold is normally rounded down.

**JUNE 2005**

GCE AS/A LEVEL

| |
|---|
| MARK SCHEME |
| MAXIMUM MARK: 30 |
| SYLLABUS/COMPONENT: 9706/01<br>ACCOUNTING<br>Paper 1 (Multiple Choice Core)) |

| Page 1 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – JUNE 2005 | 9706 | 1 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **B** | 16 | **B** |
| 2 | **C** | 17 | **C** |
| 3 | **C** | 18 | **C** |
| 4 | **B** | 19 | **D** |
| 5 | **B** | 20 | **D** |
| 6 | **D** | 21 | **B** |
| 7 | **B** | 22 | **D** |
| 8 | **A** | 23 | **C** |
| 9 | **A** | 24 | **B** |
| 10 | **A** | 25 | **D** |
| 11 | **A** | 26 | **B** |
| 12 | **D** | 27 | **C** |
| 13 | **B** | 28 | **C** |
| 14 | **A** | 29 | **C** |
| 15 | **B** | 30 | **B** |

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced/Advanced Subsidiary Level**

# MARK SCHEME for the June 2005 question paper

## 9706 ACCOUNTING

**9706/02 Paper 2 (Structured Questions), maximum raw mark 90**

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.



- CIE will not enter into discussion or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the June 2005 question papers for most IGCSE and GCE Advanced Level syllabuses.

**Grade thresholds** for Syllabus 9706 (Accounting) in the June 2005 examination.

| | maximum mark available | minimum mark required for grade: | | |
|---|---|---|---|---|
| | | A | B | E |
| Component 2 | 90 | 66 | 59 | 38 |

The thresholds (minimum marks) for Grades C and D are normally set by dividing the mark range between the B and the E thresholds into three. For example, if the difference between the B and the E threshold is 24 marks, the C threshold is set 8 marks below the B threshold and the D threshold is set another 8 marks down. If dividing the interval by three results in a fraction of a mark, then the threshold is normally rounded down.

**June 2005**

GCE A/AS LEVEL

MARK SCHEME

MAXIMUM MARK: 90



SYLLABUS/COMPONENT: 9706/02

ACCOUNTING
Paper 2 (Structured Questions)

UNIVERSITY of CAMBRIDGE
International Examinations

| Page 1 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | A/AS – June 2005 | 9706 | 2 |

**1 (a)** Option 1 – Borrow from bank

| | $ | |
|---|---|---|
| Increased profit | 27 000 | **1** |
| less manager's salary | 15 000 | **1** |
| | 12 000 | |
| less bank interest | 9 000 | **1** |
| Net increase | 3 000 i.e. $1000 each | |
| | **1of ignore aliens** | |

Each now receives $22 500 + $1000 = $23 500 as new profit
**1** **(3[1 each])** **[8]**

Alternate method

| | | | |
|---|---|---|---|
| New profit 67 500 + 27 000 | 94 500 | **2 (1 each)** | |
| less manager's salary | 15 000 | **1** | |
| | 79 500 | | |
| less bank interest | 9 000 | **1** | |
| | 70 500 | **1of ignore aliens** | |
| | 23 500 each | **3 (1 each)** | |
| | | | **[8]** |

**(b)** Option 2 – Bring in partner

| | | $ | | |
|---|---|---|---|---|
| Profit = $67 500 + $27 000 | | 94 500.00 | | **2** |
| less interest on capital at 7.5% | | | | |
| | $ | | | |
| Ringo | 5 625.00 | | marks for | **1** |
| John | 4 500.00 | | individual | **1** |
| Paul | 3 375.00 | | figures | **1** |
| Georgina | 3 375.00 | 16 875.00 | | **1** |
| | | 77 625.00 | | |
| Profit share | | | | |
| Ringo **allow** | 23 287.50 | | | **1+1of** |
| John **rounding** | 23 287.50 | | **ignore** | **1+1of** |
| Paul | 15 525.00 | | **aliens** | **1+1of** |
| Georgina | 15 525.50 | 77 625.00 | | **1+1of** |
| | | | | |
| Ringo gets | 28 912.50 | | | **1of** |
| John now gets | 27 787.50 | | **ignore** | **1of** |
| Paul now gets | 18 900.00 | | **aliens** | **1of** |
| Georgina now gets | 18 900.00 | | | **1of** |



**[18]**

Profit share = 2 each for correct figure, 1 each if wrong but in correct proportion otherwise 0.

**(c)** Borrowing from bank is better for two partners and as bank interest decreases over the years when loan is being paid back all three will gain more, though John will never be as well off as he would be under option 2. Own figure applies up to a maximum of **(4)**. If reversed, bringing in new partner is worse, as total profit is less and even with new profit-sharing ratios each partner gets less.

**[Total: 30]**

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**2 (a)** James Defirst Ltd's Balance Sheet at 31 May 2005

| | $ | | $ | $ | $ | |
|---|---|---|---|---|---|---|
| Fixed assets | | | Cost | Depreciation | Net Book Value | |
| Goodwill | | | | | 15 000 | **1** |
| Motor vehicles | | | 60 000 | 47 040 | 12 960 | **3 (1 each)** |
| Equipment | | | 30 000 | 16 200 | 13 800 | **3 (1 each)** |
| | | | 90 000 | 63 240 | 41 760 | **1of** |
| Current assets | | | | | | |
| Stock | | **1** | 48 250 | | | |
| Debtors | 78 000 | | | | | |
| less provision for doubtful debts | 3 900 | **2** | 74 100 | **(0 if not 74 100)** | | |
| Bank | | **1** | 13 125 | 135 475 | | |
| Amounts due within 1 year | | | | | | |
| Creditors | | **1** | 30 075 | | | |
| Proposed dividend | | **1** | 9 000 | 39 075 | | |
| Net current assets | | | | | 96 400 | |
| | | | | | 138 160 | |
| Capital and reserves | | | | | | |
| Authorised capital | | | | | | |
| 100 000 ordinary shares of $1 each | | | | | 100 000 | |
| Issued capital | | | | | | |
| 75 000 ordinary shares of $1 each fully paid | | | | | 75 000 | **1** |
| Share premium | | | | 11 250 | | **1** |
| General reserve | | | | 15 000 | | **1** |
| Retained profit | | | | 36 910 | 63 160 | **1of no aliens** |
| | | | | | 138 160 | |
| Lose this mark if any headings missing | | | | vertical presentation | | **1** |
| | | | | if totals agree | | **1** |

To acquire mark for Ordinary shares, must indicate number of shares.
All marks are figure marks unless otherwise stated. **[20]**



**(b)** Working capital ration = 135 475/39 075 3.47 :1 **2of**
Liquid ration = 87 225/39 075 2.23 :1 **2of**
Award **1** each max if :**1** omitted
Full marks for at least one or more than two decimal places
No marks if reversed, e.g. 1:0.45. No marks for formula alone. **[4]**

**(c) (i)** In a partnership, the appropriation account shows how the net profit of the business is split among the partners, taking into account interest on capital, interest on drawings, and salaries. There is no profit retained at the year end.

**(ii)** In a limited company, the appropriation account shows how the net profit of the business is distributed among the shareholders but also into reserves such as general reserve and retained profits. Frequently profits are brought forward from last year and carried forward to next year.

Maximum 3 for each section, to maximum **[6]**

**[Total: 30]**

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3 Workings

| Product | Platinum | Gold | Silver | Bronze | |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | |
| per unit | | | | | |
| Selling price | 184 | 148 | 142 | 138 | |
| Variable costs | | | | | |
| Direct material | 24 | 21 | 30 | 18 | |
| Direct labour | 30 | 27 | 24 | 27 | |
| Variable overheads | 12 | 10 | 8 | 10 | |
| | 66 | 58 | 62 | 55 | |
| Unit contribution | | | | | |
| (SP – VC) | 118 | 90 | 80 | 83 | |
| Original FO ($) | 36 000 | 27 000 | 19 200 | 36 000 | $118 200 |
| Total sales (units) | 2 000 | 1 800 | 1 600 | 2 400 | |
| Unit overheads (F+V) | 30 | 25 | 20 | 25 | |
| Total overheads ($) | 60 000 | 45 000 | 32 000 | 60 000 | 197 000 |
| New fixed overheads | 38 880 | 29 160 | 20 736 | 38 880 | 127 656 |
| Remainder for variable overheads | | | | | $69 344 |

**(a)** Statement of profitability – original plan

| Product | Platinum | Gold | Silver | Bronze | Total | |
|---|---|---|---|---|---|---|
| Sales quantity | 2 000 | 1 800 | 1 600 | 2 400 | | |
| Unit contribution ($) | 118 | 90 | 80 | 83 | | |
| Total contribution ($) | 236 000 | 162 000 | 128 000 | 199 200 | 725 200 | **5** |
| Less fixed overheads | 36 000 | 27 000 | 19 200 | 36 000 | 118 200 | **5** |
| Net profit | 200 000 | 135 000 | 108 800 | 163 200 | $607 000 | **5of** |



[N.B. labels must be correct – do not accept 'sales' for 'contribution']

| Or | $ | $ | $ | $ | $ | |
|---|---|---|---|---|---|---|
| Sales | 368 000 | 266 400 | 227 200 | 331 200 | 1192 800 | |
| V Costs | 132 000 | 104 400 | 99 200 | 132 000 | 467 600 | |
| Contribution | 236 000 | 162 000 | 128 000 | 199 200 | 725 200 | **5** |
| Fixed costs | 36 000 | 27 000 | 19 200 | 36 000 | 118 200 | **5** |
| Profit | 200 000 | 135 000 | 108 800 | 163 200 | 607 000 | **5of** |

| Or candidates may attempt a unit approach | | | | | | |
|---|---|---|---|---|---|---|
| Selling price | 184 | 148 | 142 | 138 | | |
| V Cost | 66 | 58 | 62 | 55 | | |
| Contribution | 118 | 90 | 80 | 83 | | **4+1*** |
| Fixed cost | 18 | 15 | 12 | 15 | | **4+1*** |
| Profit | 100 | 75 | 78 | 68 | | |
| Total profit | 200 000 | 135 000 | 108 800 | 163 200 | 607 000 | **5of** |

[* the 1 is a bonus for having all 4 correct] **[15]**

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**(b)** Statement of quantity produced – optimum product mix

| Product | Platinum | Gold | Silver | Bronze | |
|---|---|---|---|---|---|
| Ranking (contribution per | 118/12 | 90/10 | 80/8 | 83/10 | |
| unit of scarce resource) = | 9.83 | 9 | 10 | 8.3 | |
| Or **VO as % of contribution** | **10.17** | **11.11** | **10** | **12.05** | |
| Quantity | 2 000 | 1 800 | 1 600 | 1 454 | **4of** |
| VO/unit ($) | 12 | 10 | 8 | 10 | |
| Total VO ($) | 24 000 | 18 000 | 12 800 | 14 544 | **4of** |
| Overhead cash remaining ($) | 45 344 | 27 344 | 14 544 | 0 | |

If total variable overheads of $69 344 shown, award 4 marks
Award **4of** for any 4 quantities provided at least one is different from given quantities.
Award **8** for correct quantities whether VO shown or not. **[8]**

**(c)** Statement of profitability – optimum product mix

| Product | Platinum | Gold | Silver | Bronze | Total | |
|---|---|---|---|---|---|---|
| Quantity | 2 000 | 1 800 | 1 600 | 1 454 | | |
| Contribution/unit ($) | 118 | 90 | 80 | 83 | | |
| Total contribution ($) | 236 000 | 162 000 | 128 000 | 120 682 | 646 682 | **2*** |
| Less fixed overheads ($) | 38 880 | 29 160 | 20 736 | 38 880 | 127 656 | |
| Net profit | 197 120 | 132 840 | 107 264 | 81 802 | $519 026 | **4+1of**** |

**[7]**

[* the **2** is for a correct total contribution of 120 682 for bronze]
[** the **4** is for correct individual totals, the **1of** for $519 026] **[Total: 30]**

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| 2 | **B** | 17 | **B** |
| 3 | **C** | 18 | **A** |
| 4 | **A** | 19 | **C** |
| 5 | **C** | 20 | **A** |
| 6 | **B** | 21 | **B** |
| 7 | **C** | 22 | **A** |
| 8 | **B** | 23 | **A** |
| 9 | **C** | 24 | **D** |
| 10 | **A** | 25 | **D** |
| 11 | **C** | 26 | **A** |
| 12 | **A** | 27 | **C** |
| 13 | **D** | 28 | **A** |
| 14 | **A** | 29 | **B** |
| 15 | **B** | 30 | **C** |

1 **(a)** Profit and Loss and Appropriation Account for the year ended 30 April 2006.

| | | $ | $ | $ | | |
|---|---|---|---|---|---|---|
| Gross profit | | | | 1 620 000 | | |
| Provision for doubtful debts | | | | 360 | 1 | |
| Profit on sale of motor vehicle | | | | 2 000 | 1 | |
| | | | | 1 622 360 | | |
| less expenses | | | | | | |
| Provision for depreciation - | Motor vehicle | | 62 500 | | 1 | |
| | Fixtures and fittings | | 34 000 | | 1 | |
| Office expenses | | | 452 000 | | 1 | |
| Selling & distribution expenses | | | 509 000 | | 1 | |
| Debenture interest | | | 6 000 | 1 063 500 | | |
| Net profit | | | | 558 860 | | |
| Ordinary share dividends - | interim | 75 000 | | | | |
| | final | 150 000 | 225 000 | | 1 | |
| Preference share dividends - | interim | 8 000 | | | | |
| | final | 6 000 | 14 000 | 239 000 | 1 | |
| Retained profit for the year | | | | 319 860 | | |
| Balance brought forward | | | | 143 600 | 1 | |
| Retained profit carried forward | | | | 463 460 | 1 | **[11]** |

**(b)** Balance Sheet at 30 April 2006

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Fixed Assets** | | Cost | | Deprec | NBV | | |
| Premises | | 2 300 000 | | | 2 300 000 | | |
| Motor vehicles | | 500 000 | | 437 500 | 62 500 | 1 | |
| Fixtures and fittings | | 170 000 | | 136 000 | 34 000 | 1 | |
| | | 2 970 000 | | 573 500 | 2 396 500 | | |
| **Current Assets** | | | | | | | |
| Stock | | 204 000 | | | | | |
| Debtors | 132 000 | | | | | | |
| less provision for doubtful debts | 2 640 | 129 360 | 1 | | | | |
| Cash | | 400 | | | | | |
| Prepayment | | 8 000 | 1 | 341 760 | | | |
| **Amounts due within one year** | | | | | | | |
| Creditors | | 116 000 | | | | | |
| Bank | | 26 800 | | | | | |
| Accrual | | 23 000 | 1 | | | | |
| Dividends due | | 156 000 | 2 | | | | |
| Debenture interest due | | 3 000 | 1 | 324 800 | | | |
| Net Current Assets | | | | | 16 960 | 1 | |
| | | | | | 2 413 460 | | |
| **Amounts due after one year** | | | | | | | |
| 6% debentures (2011) | | | | | 100 000 | 1 | |
| | | | | | 2 313 460 | | |
| **Authorised and issued share capital** | | | | | | | |
| 1 500 000 ordinary shares of $1 each | | | | | 1 500 000 | | |
| 200 000 7% preference shares of $1 each | | | | | 200 000 | | |
| Share premium | | | | 150 000 | | | |
| Retained profits | | | | 463 460 | 613 460 | 1 | |
| | | | | | 2 313 460 | | **[13]** |

(c) (i) Current ratio = 341760:324800 = 1.05:1 **1**

(ii) Liquidity ratio = 341760-204000:324800 = 0.42:1 **1**

(iii) For financial security it is important that current assets are sufficient to cover current liabilities – this is just the case here. However, the liquidity ratio suggests that current assets excluding stock, which can be illiquid, should cover current liabilities – not the case here, and Peter Jordan may have problems as debts become due. **4** **[6]**

**Total [30]**

**2 (a) (i) Updated Cash Book**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance b/d | 4 030 | | Electricity (DD) | 1 000 | **1** |
| Bank interest | 100 | **1** | Balance c/d | 3 130 | |
| | 4 130 | | | 4 130 | |
| | 3 130 | | | | |

**(ii) Bank Reconciliation Statement at 30 April 2006**

| | $ | |
|---|---|---|
| Balance per adjusted cash book | 3 130 | |
| Add cheque not yet presented | 2 800 | **1** |
| | 5 930 | |
| Less pay-in not yet credited | 4 000 | **1** |
| Balance per Bank Statement | 1 930 | **[4]** |



**(b) (i) Restaurant Trading Account**

| | $ | $ | $ | $ | |
|---|---|---|---|---|---|
| Sales | | | | 108 000 | |
| Less cost of sales | | | | | |
| Opening stock | | 7 600 | | | |
| Purchases | 51 000 **1** | | | | |
| Creditors at start | 4 400 **1** | | | | |
| | 46 600 | | | | |
| Creditors at end | 5 200 **1** | 51 800 | 59 400 | | |
| Closing stock | | | 9 400 | 50 000 | |
| | | | | 58 000 | |
| Restaurant wages | | | | 22 000 | **1** |
| Profit on restaurant | | | | 36 000 | **1** **[5]** |

**(ii) Income and Expenditure account for the year ended 30 April 2006**

| | | | | |
|---|---|---|---|---|
| INCOME | | | | |
| Subscription = 72 000 + 2 000 + 1 800 – 1 400 | | 74 400 | **4** | |
| Restaurant profit | | 36 000 | **1** | |
| Annual dance = 8 900 – 4 950 – 320 | | 3 630 | **3** | |
| Profit on sale of equipment | | 2 000 | **1** | |
| Bank interest | | 100 | **1** | |
| | | 116 130 | | |
| EXPENDITURE | | | | |
| National club fees | 3 000 | | **1** | |
| Loan interest | 2 200 | | **1** | |
| Repairs and maintenance | 12 400 | | **1** | |
| Electricity | 12 000 | | **1** | |
| Restaurant wages | 60 000 | | **1** | |
| Depreciation – equipment | 13 200 | | **1** | |
| Depreciation – fixtures and fittings | 600 | 103 400 | **1** | |
| Surplus | | 12 730 | **1** | **[18]** |

**(c) (i)** The receipts and payments account shows no records of assets other than the bank balance and any assets bought or sold during the year. This is unsatisfactory as a club may have assets worth thousands of dollars.

**(ii)** No depreciation of fixed assets is provided for.



**(iii)** No record of liabilities other than possibly bank balance, so no way of telling if club is in debt, other than by asking treasurer.

**(iv)** No knowledge of surplus or deficit for year which would help in determining subscriptions for year etc.

**Any three to maximum [3]**

**Total [30]**

**3 (a)** Each of the three products had a positive contribution, and the business as a whole was showing a profit. If any production line was closed then the fixed costs allocated to it would have to be split between the other two production lines and the profit would turn to a loss.

**maximum [5]**

**(b)** Selling price per unit = variable costs + contribution

| | | |
|---|---|---|
| 4-drawer = 20 + 7 = \$27 | **1** | |
| 3-drawer = 15 + 6 = \$21 | **1** | |
| 2-drawer = 10 + 5 = \$15 | **1** | **[3]** |

**(c)**

| | | |
|---|---|---|
| 4-drawer = 98 000/7 = 14 000 units = \$378 000 | **2** | |
| 3-drawer = 48 000/6 = 8 000 units = \$168 000 | **2** | |
| 2-drawer = 135 000/5 = 27 000 units = \$405 000 | **2** | **[6]** |

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**(d)** 4-drawer = 15 000 x 7 – 98 000 = $7 000 **2**
3-drawer = 6 000 x 6 – 48 000 = ($12 000) **2**
2-drawer = 30 000 x 5 – 135 000 = $15 000 **2** **[6]**

**(e)** 4-drawer: Unit VC = $12.6 + $4.5 + $3.0 = $20.1
Unit contribution = $27 - $20.1 = $6.9
Profit = 15 000 x 6.9 – 98 000 = $5 500 **3**

3-drawer: Unit VC = $8.4 + $4.5 + $2.0 = $14.9
Unit contribution = $21 - $14.9 = $6.1
Loss = 6 000 x 6.1 – 48 000 = ($11 400) **3**

2-drawer: Unit VC = $4.2 + $3.6 + $2.0 = $9.8
Unit contribution = $15 - $9.8 = $5.2
2-drawer = 30 000 x 5.2 – 135 000 = $21 000 **3**

Total increase = $5 100 **1** **[10]**

**Total [30]**

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| 3 | **C** | 18 | **C** |
| 4 | **A** | 19 | **A** |
| 5 | **C** | 20 | **B** |
| 6 | **A** | 21 | **D** |
| 7 | **C** | 22 | **A** |
| 8 | **C** | 23 | **C** |
| 9 | **D** | 24 | **C** |
| 10 | **B** | 25 | **A** |
| 11 | **D** | 26 | **D** |
| 12 | **A** | 27 | **A** |
| 13 | **A** | 28 | **C** |
| 14 | **D** | 29 | **A** |
| 15 | **C** | 30 | **C** |

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**A1** **(a)** Aurora's Manufacturing Account for the year ended 31 March 2007

| | $000 | $000 | $000 | |
|---|---|---|---|---|
| Stock of raw materials at 1 April 2006 | | 110 | | **[1]** |
| add Purchases | 450 | | | **[1]** |
| Carriage inwards | 10 | | | **[1]** |
| | 460 | 442 | | |
| less returns | 18 | | | **[1]** |
| | | 552 | | |
| less Stock of raw materials at 31 March 2007 | | 140 | | **[1]** |
| | | 412 | | |
| Direct labour | | 400 | | **[1]** |
| Direct overheads | | 60 | | **[1]** |
| Prime Cost | | 872 | | **[1]** |
| Factory overheads | | | | |
| Rent | 28 | | | **[2]** |
| Electricity | 36 | | | **[2]** |
| Insurance | 36 | | | **[2]** |
| Supervisory Salaries | 65 | | | **[1]** |
| Indirect wages | 13 | | | **[1]** |
| Cleaning | 50 | | | **[1]** |
| Provision for depreciation on machinery | 90 | 318 | | **[1]** |
| | | 1190 | | |
| Work in progress at 1 April 2006 | 55 | | | **[1]** |
| less Work in progress at 31 March 2007 | 75 | (20) | | **[1]** |
| Cost of production | | 1170 | | **[1+1of]** |
| Manufacturing profit | | 390 | | **[1]** |
| Transferred to Trading account | | 1560 | | **[1of]** |



Marks [24]

Trading account for year ended 31 March 2007

| | | | |
|---|---|---|---|
| Sales | | 3200 | **[1]** |
| less Cost of sales | | | |
| Stock of finished goods at 1 April 2006 | 80 | | **[1]** |
| Transferred from manufacturing account | 1560 | | **[1of]** |
| | 1640 | | |
| less Stock of finished goods at 31 March 2007 | 170 | 1470 | **[1]** |
| Gross profit | | 1730 | **[1+1of]** |

Marks [6]

**[Total: 30]**

| | Month | In Quantity | Price $ | Value $ | | Out Quantity | Balance | Price $ | Value $ | |
|---|---|---|---|---|---|---|---|---|---|---|
| **A2** | | | | | | | | | | |
| **(a)** | FIFO | | | | | | | | | |
| | February | 300 | 25 | 7500 | **[1]** | | 300 | 25 | 7500 | |
| | | | | | | 150 | 150 | 25 | 3750 | |
| | March | 120 | 27 | 3240 | **[1]** | | 120 | 27 | 3240 | |
| | | | | | | 210 | 60 | 27 | 1620 | |
| | April | 240 | 29 | 6960 | **[1]** | | 240 | 29 | 6960 | |
| | | | | | | 205 | 95 | 29 | 2755 | **[2]** |
| | | | | | | | | | | Marks [5] |
| **(b)** | LIFO | | | | | | | | | |
| | February | 300 | 25 | 7500 | | | 300 | 25 | 7500 | |
| | | | | | | 150 | 150 | 25 | 3750 | |
| | March | 120 | 27 | 3240 | | | 120 | 27 | 3240 | |
| | | | | | | 210 | 60 | 25 | 1500 | |
| | April | 240 | 29 | 6960 | | | 240 | 29 | 6960 | |
| | | | | | | 205 | 35 | 29 | 1015 | |
| | | | | | | | 60 | 25 | 1500 | |
| | | | | | | | | | 2515 | **[2]** |
| | | | | | | | **OR** | | | **OR** |
| | | | | | | | 95 | 25 | 2375 | **[2]** |
| | | | | | | | | | | Marks [2] |
| **(c)** | AVCO | | | | | | | | | |
| | February | 300 | 25 | 7500 | | | <u>300</u> | <u>25</u> | <u>7500</u> | |
| | | | | | | 150 | 150 | 25 | 3750 | |
| | March | 120 | 27 | 3240 | | | <u>120</u> | <u>27</u> | <u>3240</u> | |
| | | | | | | | <u>270</u> | <u>25.89</u> | <u>6990</u> | |
| | | | | | | 210 | 60 | 25.89 | 1553.33 | |
| | April | 240 | 29 | 6960 | | | <u>240</u> | <u>29</u> | <u>6960</u> | |
| | | | | | | | <u>300</u> | <u>28.38</u> | <u>8513.33</u> | |
| | | | | | | 205 | 95 | 28.38 | 2695.89 | **[2]** |
| | **OR** | 660 | | 17700 | | 565 | | | **OR** | |
| | | <u>-565</u> | | /660 | | | | | | |
| | | 95 | × | 26.82 | | | | | 2547.73 | **[2]** |
| | | | | | | | | | | Marks [2] |

As allowances would have to be made for use of calculators which offer different answers due to decimal calculations, please accept answers which approximate, and rounding either way. Applies to AVCO only.

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**(d)**

| | Quantity | Price $ | Value $ | Total $ | |
|---|---|---|---|---|---|
| Sales | 150 | 35 | 5250 | | **[1]** |
| | 210 | 38 | 7980 | | **[1]** |
| | 205.00 | 41 | 8405 | 21 635 | **[1]** |

| | FIFO | LIFO | or LIFO | AVCO | or AVCO | |
|---|---|---|---|---|---|---|
| Sales | 21 635 | 21 635 | 21 635 | 21 635 | 21 635 | |
| C of S | | | | | | |
| Purchases | 17 700 | 17 700 | 17 700 | 17 700 | 17 700 | **[1]** |
| C/stock | 2 755 | 2 515 | 2 375 | 2 696 | 2 548 | |
| | 14 945 | 15 185 | 15 325 | 15 004 | 15 152 | **[3]** |
| GP | 6 690 | 6 450 | 6 310 | 6 631 | 6 483 | **[3]** |

Marks [10]

**(e)**

| | 30 April 2006 | | 30 April 2007 | | |
|---|---|---|---|---|---|
| Current ratio | 20700/6200 | | 16100/8500 | | |
| | 3.34 | :1 | 1.89 | :1 | **[4]** |
| Liquid ratio | 13200/6200 | | 9300/8500 | | |
| | 2.13 | :1 | 1.09 | :1 | **[4]** |



Marks [8]

**(f)** Both current and liquid ratios are near to ideal at 30 April 2007 however net loss of $11 400 in that year compared to net profit of $83 500 the previous year suggests that the business is going from good to bad. **[1]** **[2]**

Marks [3]

**[Total: 30]**

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**A3 (a)**

| | Household | Business | Factory | |
|---|---|---|---|---|
| Per unit | $ | $ | $ | |
| Selling price | 100 | 120 | 160 | **[3]** |
| Variable costs | | | | |
| Direct materials | 40 | 50 | 50 | |
| Direct labour | 30 | 32 | 42 | |
| Variable overheads | 10 | 15 | 20 | |
| Total variable costs | 80 | 97 | 112 | **[3]** |

Subtract total variable costs from contribution.

**OR**

| | | | | |
|---|---|---|---|---|
| In total | | | | |
| Sales | 240 000 | 108 000 | 360 000 | **[3]** |
| Total V costs | 192 000 | 87 300 | 252 000 | **[3]** |
| Total contribution | 48 000 | 20 700 | 108 000 | |

To find unit contribution, divide by total number of units

| | | | | | |
|---|---|---|---|---|---|
| **(i)** | Unit contribution | 20 | 23 | 48 | **[3]** |
| **(ii)** | As percentage of sales | 20 | 19.17 | 30 | **[3of]** |

Marks [12]

**(b)** Fixed costs divided by unit contribution



| | | | | |
|---|---|---|---|---|
| | 57 600 | 27 000 | 67 500 | **[3]** |
| | 20 | 23 | 48 | **[3of]** |
| Units | 2 880 | 1 174 | 1 406 | **[3of]** |
| Value | $288 000 | $140 870 | $225 000 | **[3of]** |

Marks [12]

**(c)** Under absorption costing fixed costs are allocated amongst departments but the total fixed costs will not alter if a **[1]** department is closed – for example, the rent of a building remains the same even if part of it is unused. **[1]** If two departments were closed then the remaining one would have to take on board their fixed costs, in this case leading to an overall loss of $44 100. **[2]** As long as a department has a positive contribution and the business is making an overall profit then the department should not be closed. **[2]**

Marks [6]

**[Total: 30]**

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| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **C** | 16 | **C** |
| 2 | **C** | 17 | **A** |
| 3 | **A** | 18 | **A** |
| 4 | **B** | 19 | **A** |
| 5 | **A** | 20 | **B** |
| 6 | **B** | 21 | **D** |
| 7 | **D** | 22 | **A** |
| 8 | **B** | 23 | **A** |
| 9 | **B** | 24 | **C** |
| 10 | **D** | 25 | **C** |
| 11 | **A** | 26 | **D** |
| 12 | **A** | 27 | **A** |
| 13 | **B** | 28 | **D** |
| 14 | **D** | 29 | **B** |
| 15 | **C** | 30 | **B** |

| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE A/AS LEVEL – May/June 2008 | 9706 | 02 |

**1** **(a)** Trading and Profit and Loss account for the year ended 30 April 2008

| | | $ | $ | $ | |
|---|---|---|---|---|---|
| Sales | | | | 243 000 | |
| Less returns | | | | 2 040 | |
| | | | | 240 960 | |
| Less cost of sales | | | | | |
| Stock at 1 May 2007 | | | 13 500 | | |
| Purchases | | 184 000 | | | |
| Less returns | | 1 980 | | | **(1)** |
| | | 182 020 | | | |
| Add carriage in | | 350 | 182 370 | | **(1)** |
| | | | 195 870 | | |
| Less stock at 30 April 2008 | | | 15 100 | 180 770 | |
| Gross profit | | | | 60 190 | |
| Discount received | | | | 1 300 | |
| Rent receivable | (2420 + 220) | | | 2 640 | **(1)** |
| Doubtful debts provision | (500 – 3% × (9000-200)) | | | 236 | **(1)** |
| | | | | 64 366 | |
| Bad debts written off | | | 200 | | |
| Carriage out | | | 800 | | |
| Discount allowed | | | 1 800 | | |
| Electricity | (2100 – 40) | | 2 060 | | **(1)** |
| General expenses | (9340 + 50) | | 9 390 | | **(1)** |
| Depreciation on machinery | ((52000 – 15600) × 40%) | | 14 560 | | **(1)** |
| Interest due on loan | ((11% × 60000)/2) | | 3 300 | 32 110 | **(1)** |
| Net profit | | | | 32 256 | |



[8]

| Page 3 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE A/AS LEVEL – May/June 2008 | 9706 | 02 |

**(b)** Balance Sheet at 30 April 2008

| | | $ | $ | $ | |
|---|---|---|---|---|---|
| **Fixed Assets** | | | | Net Book Value | |
| Premises | | | | 250 000 | |
| Machinery | | | | 21 840 | **(1)of if < 36 400** |
| | | | | 271 840 | |
| **Current Assets** | | | | | |
| Stock | | 15 100 | | | |
| Debtors | 8 800 | | | | **must be 8800 and** |
| Less DD Provision | 264 | 8 536 | | | **(1)of if DDP < 500** |
| Cash | | 990 | | | |
| Prepayment | | 40 | | | **(1)** |
| Rent receivable | | 220 | 24 886 | | **(1)** |
| **Amounts due within one year** | | | | | |
| Creditors | | 11 460 | | | |
| Bank | | 8 260 | | | **(1)** |
| Accrual | | 50 | | | **(1)** |
| Interest due | | 3 300 | 23 070 | | **(1)** |
| Net current assets | | | | 1 816 | **(1)of** |
| | | | | 273 656 | |
| **Amount due over one year** | | | | | |
| Long-term loan (11%) | | | | 60 000 | |
| | | | | 213 656 | |
| **Proprietor's interest** | | | | | |
| Capital at 1 May 2007 | | | | 200 000 | **(1)of** |
| Add net profit | | | | 32 256 | **(1)** |
| | | | | 232 256 | |
| less drawings | | | | 18 600 | **(1)** |
| | | | | 213 656 | |



[11]

**(c)** **(i)** Current ratio = 24886/23070 1.08:1 **(1)of**

**(ii)** Liquid ratio = 9786/23070 0.42:1 **(1)of**

**(iii)** Rate of stock turnover = 180770/14300 12.64 times **(1)of**

**(iv)** Gross profit as a percentage of sales 28.87 days 24.98% **(1)of**

**(v)** Net profit as a percentage of sales 13.39% **(1)of**

**(iv)** and **(v)** denominator must be **net** sales i.e. **not** 243 000
**Need suffixes.**
**If correct working shown disregard request for decimal places**

[5]

**(d) (i)** Ratios are used to compare a firm's performance with another year, or with another business of the same type. [2]

**(ii)** Interested parties might be:

| | | |
|---|---|---|
| Bank manager | Directors | Competitors |
| Customs and excise | Creditors | Investors/Shareholders |
| Employees | Debtors | NOT Stakeholders |
| The media (Newspapers, TV etc) | | |

**Allow ONE group only of members of the firm**

Etc. One mark each to a maximum of [4]

**[Total: 30]**

**2A**

| | $ | $ | |
|---|---|---|---|
| | – | + | |
| Profit and loss balance | 100 000 | | |
| Capital contribution | 80 000 | | **(1)** |
| Sales returns | no effect | | |
| Depreciation (240 000 + 75 000) × 40% | 126 000 | | **(2)** |
| Interest accrued | 10 000 | | **(1)** |
| Drawings | | 50 000 | **(1)** |
| Stock | 9 000 | | **(1)** |
| Goods for own use | | 11 000 | **(1)** |
| Loan | | 20 000 | **(1)** |
| Equipment repairs | 25 000 | | **(1)** |
| Stock purchase | 22 000 | | **(1)** |
| | 372 000 | 81 000 | |
| | –81 000 | | |
| | 291 000 | | **(1) + (1)of** |



[12]

**2 marks for $291 000, 1 of provided EITHER (a) no entry for sales returns or (b) entry for sales/purchases returns in BOTH columns**

**B (a)** Sales Ledger Control Account

| | | | | | |
|---|---|---|---|---|---|
| Balance b/d | 340 600 | | Balance b/d | 1 960 | |
| Credit sales | 295 000 | **(1)** | Sales returns | 6 480 | **(1)** |
| Bank | 3600 | | Bank | 238 600 | **(1)** |
| Discount allowed | 200 | **(2)** | Discount allowed | 3 500 | **(1)** |
| | | | Contra | 5 000 | **(1)** |
| | | | Bad debt | 2 300 | **(1)** |
| Balance c/d | 8 340 | **(1)** | Balance c/d | 389 900 | **(1)of** (no aliens) |
| | 647 740 | | | 647 740 | |
| Balance b/d | 389 900 | **(1)** | Balance b/d | 8 340 | **(1)** |

If Bank shown net 235 000 on credit side award **(1)** mark
If Discount allowed shown net 3300 on credit side award **(3)** marks
Do **not** award full marks for correct balances b/d as Bank may be shown as 3800 on debit side. [12]

**(b)** Overpayment
Payment in advance
Credit note issued
Deposit received
Etc. 1 mark each to maximum [3]

**(c)** Less chance of fraud
Less chance of errors
Fraud or errors easier to find
Checking easier
Total debtors and creditors figures available
Etc. 1 mark each to maximum [3]

**[Total: 30]**

**3 (a)**

| | $ | | $ | | |
|---|---|---|---|---|---|
| Unit selling price | | | 1 100 | **(1)** | |
| Less | | | | | |
| Direct materials | 128 | **(1)** | | | |
| Direct wages | 625 | **(1)** | | | |
| Variable production overhead | 40 | **(1)** | | | |
| Variable sales overhead | 30 | **(1)** | 823 | | |
| Unit contribution | | | 277 | | [5] |

**OR**



| | | | | | |
|---|---|---|---|---|---|
| Sales | | | 8 800 000 | **(1)** | |
| Less | | | | | |
| Direct materials | 1 024 000 | **(1)** | | | |
| Direct wages | 5 000 000 | **(1)** | | | |
| Variable production overhead | 320 000 | **(1)** | | | |
| Variable sales overhead | 240 000 | **(1)** | 6 584 000 | | |
| Total contribution | | | 2 216 000 | / 8 000 | |
| Unit contribution | | | 277 | | [5] |

**OR**

Total contribution = Profit + Fixed costs
1 656 000 + 640/2 + 480/2 = 2 216 000 divided by 8000 for unit contribution = 277
**1** **2** **2** [5]
The answer 307 should be awarded **(4)** marks.

**(b)**

| | BUY IN | | LEASE | | EXTRA SHIFT | | |
|---|---|---|---|---|---|---|---|
| | $ | | $ | | $ | | |
| Sales | 2 200 000 | **(1)** | 2 200 000 | **(1)** | 2 200 000 | **(1)** | |
| Less | | | | | | | |
| Buy in, lease, training | 1 840 000 | **(1)** | 260 000 | **(1)** | 50 000 | **(1)** | |
| Direct materials | | | 256 000 | **(1)** | 256 000 | **(1)** | |
| Direct wages | | | 1 250 000 | **(1)** | 1 437 500 | **(2)** | |
| Variable production overhead | | | 80 000 | **(1)** | 80 000 | **(1)** | |
| Variable sales overhead | 60 000 | **(1)** | 60 000 | **(1)** | 60 000 | **(1)** | |
| Total variable costs | 1 900 000 | **(1)** | 1 906 000 | **(1)** | 1 883 500 | **(1)** | |
| Extra profit | 300 000 | **(1)of** | 294 000 | **(1)of** | 316 500 | **(1)of** | [22] |
| Alternative (wrong) | 360 000 | **(4)** | 224 000 | **(7)** | | | |
| answers | 2 016 000 | **(3)** | | | | | |

The feasibility study is treated as a sunk cost - lose **of** mark for extra profit on leasing if feasibility cost included.

Candidates may use a mix of methods between options, e.g. use the above for option 1 and the method below for options 2 and 3. There is no problem here.

**OR** candidates may calculate the total rather than the additional profit and this is possibly most likely.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sales | 11 000 000 | **(1)** | 11 000 000 | **(1)** | 11 000 000 | **(1)** | |
| Direct materials | 1 024 000 | | 1 280 000 | **(1)** | 1 280 000 | **(1)** | |
| Direct labour | 5 000 000 | | 6 250 000 | **(1)** | 6 437 500 | **(2)** | |
| Variable production overhead | 320 000 | | 400 000 | **(1)** | 400 000 | **(1)** | |
| Variable sales overhead | 300 000 | **(1)** | 300 000 | **(1)** | 300 000 | **(1)** | |
| Fixed production overhead | 320 000 | | 320 000 | | 320 000 | | |
| Fixed sales overhead | 240 000 | | 240 000 | | 240 000 | | |
| Buy in, Lease, Training | 1 840 000 | **(1)** | 260 000 | **(1)** | 50 000 | **(1)** | |
| Total costs | 9 044 000 | | 9 050 000 | | 9 027 500 | | |
| Profit | 1 956 000 | **(1)of** | 1 950 000 | **(1)of** | 1 972 500 | **(1)of** | |
| Original profit | 1 656 000 | | 1 656 000 | | 1 656 000 | | |
| Additional profit | 300 000 | **(1)of** | 294 000 | **(1)of** | 316 500 | **(1)of** | [22] |

**OR** possibly a unit approach

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Selling price | 1100 | **(1)** | 1100 | **(1)** | 1100.00 | **(1)** | |
| DM | | | 128 | **(1)** | 128.00 | **(1)** | |
| DL | | | 625 | **(1)** | 718.75 | **(2)** | |
| VPO | | | 40 | **(1)** | 40.00 | **(1)** | |
| VSO | 30 | **(1)** | 30 | **(1)** | 30.00 | **(1)** | |
| Buy in, Lease, Training | 920 | **(1)** | 130 | **(1)** | 25.00 | **(1)** | |
| Total costs | 950 | | 953 | | 941.75 | | |
| Unit profit | 150 | **(1)of** | 147 | **(1)of** | 158.25 | **(1)of** | |
| × 2000 = Added profit | 300 000 | **(1)of** | 294 000 | **(1)of** | 316 500 | **(1)of** | [22] |

**(c)** Introduce an evening shift (or whichever is most cost-effective) **(1)of**
Advantage - no need to spend so much money on training in future years. **(1)**
Disadvantage - work involved in setting this up. **(1)** [3]
Or any other reasonable advantage/disadvantage.
If candidate suggests answer not totally based on cost/profit, accept provided good reason given – e.g. (Advantage) buying in is simplest solution but (Disadvantage) can't guarantee quality.

The own figure mark cannot be given unless all three options are attempted.

**[Total: 30]**

There are, unfortunately, other possibilities for the three options which cannot be ignored, though they are unlikely to appear.

Candidate may use the contribution figure calculated in the 3rd version of **(a)**.

| | $ | | $ | | |
|---|---|---|---|---|---|
| Option 1 | | | | | |
| 8000 × 277 (from **(a)**) | | | 2 216 000 | **(1)of** | |
| 2000 × 1100 | | | <u>2 200 000</u> | **(1)** | |
| | | | 4 416 000 | | |
| | | | | | |
| Buy in | 1 840 000 | **(1)** | | | |
| Sales o/h | 60 000 | **(1)** | | | |
| Original profit | 1 656 000 | | | | |
| Fixed costs | <u>560 000</u> | | <u>4 116 000</u> | | |
| | | | 300 000 | **(1)of** | [5] |

| | $ | | $ | | |
|---|---|---|---|---|---|
| Option 2 | | | | | |
| Sales **(1)** **(1)** **(1)** | | | 2 200 000 | **(1)** | |
| less $\frac{(7144 - 560) \times 2}{8}$ **(1)** | 1 646 000 | | | | |
| Lease | <u>260 000</u> | **(1)** | <u>1 906 000</u> | **(1)** | |
| | | | 294 000 | **(1)** | [8] |
| **OR** | | | | | |
| 10 000 × 277 | | | 2 770 000 | **(5)** | |
| less | | | | | |
| Lease | 260 000 | **(1)** | | | |
| Fixed costs | 560 000 | | | | |
| Original profit | <u>1 656 000</u> | | <u>2 476 000</u> | **(1)** | |
| | | | 294 000 | **(1)** | [8] |

The figure $2 770 000 recognises the increase in sales, materials, variable production costs and sales overheads.

Option 3

| | | | | | |
|---|---|---|---|---|---|
| Sales | | | 2 200 000 | **(1)** | |
| less **(1)** **(1)** **(1)** $\frac{(7144 - 560) \times 2}{8}$ **(1)** | 1 646 000 | | | | |
| Training | 50 000 | **(1)** | | | |
| Labour | 187 500 | **(1)** | 1 883 500 | **(1)** | |
| | | | 316 500 | **(1)** | [9] |

**OR**

| | | | | | |
|---|---|---|---|---|---|
| 10 000 × 277 | | | 2 770 000 | **(5)** | |
| less | | | | | |
| Training | 50 000 | **(1)** | | | |
| Labour | 187 500 | **(1)** | | | |
| Fixed costs | 560 000 | | | | |
| Original profit | 1 656 000 | | 2 453 500 | **(1)** | |
| | | | 316 500 | **(1)** | [9] |

Further possibilities:

Option 1

| | | | |
|---|---|---|---|
| Sales | 2 200 000 | **(1)** | |
| less purchases | 1 840 000 | **(1) + (1)** | |
| | 360 000 | **(1)** | [4] |

Only omission is variable costs so award an extra 1 for assumed sub-total

Option 2



| | | | |
|---|---|---|---|
| Contribution | 2 770 000 | **(5)** | |
| less costs (560 000 + 260 000) | 820 000 | **(1)** | |
| Profit | 1 950 000 | **(1)** | |
| Original profit | 1 656 000 | | |
| | 294 000 | **(1)** | [8] |

Option 3

| | | | |
|---|---|---|---|
| Contribution | 2 770 000 | **(5)** | |
| less Variable cost | 1 437 500 | | |
| New contribution | 1 332 500 | | |
| less fixed costs | 560 000 | | |
| | 772 500 | | |
| Training cost | 50 000 | **(1)** | |
| New Profit | 722 500 | | |
| Additional profit (1 656 000 - 722 500) | 933 500 | **(1)of** | [7] |

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2009 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/01** Paper 1 (Multiple Choice – Core), maximum raw mark 30

Mark schemes must be read in conjunction with the question papers and the report on the examination.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.



CIE is publishing the mark schemes for the May/June 2009 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE A/AS LEVEL – May/June 2009 | 9706 | 01 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **D** | 16 | **B** |
| 2 | **D** | 17 | **C** |
| 3 | **A** | 18 | **A** |
| 4 | **C** | 19 | **B** |
| 5 | **C** | 20 | **D** |
| 6 | **A** | 21 | **A** |
| 7 | **D** | 22 | **B** |
| 8 | **B** | 23 | **D** |
| 9 | **D** | 24 | **B** |
| 10 | **D** | 25 | **A** |
| 11 | **A** | 26 | **A** |
| 12 | **B** | 27 | **C** |
| 13 | **C** | 28 | **A** |
| 14 | **D** | 29 | **B** |
| 15 | **C** | 30 | **B** |

**Location Entry Codes**

UNIVERSITY of CAMBRIDGE
International Examinations

As part of CIE's continual commitment to maintaining best practice in assessment, CIE has begun to use different variants of some question papers for our most popular assessments with extremely large and widespread candidature, The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions are unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiner's Reports.

| Question Paper | Mark Scheme | Principal Examiner's Report |
|---|---|---|
| Introduction | Introduction | Introduction |
| First variant Question Paper | First variant Mark Scheme | First variant Principal Examiner's Report |
| Second variant Question Paper | Second variant Mark Scheme | Second variant Principal Examiner's Report |



**Who can I contact for further information on these changes?**
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**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2009 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/21** 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.

Mark schemes must be read in conjunction with the question papers and the report on the examination.



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CIE is publishing the mark schemes for the May/June 2009 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE A/AS LEVEL – May/June 2009 | 9706 | 21 |

**1 (a)** Trading and Profit and Loss account for the year ended 31 March 2009

| | $ | $ | | | |
|---|---|---|---|---|---|
| Sales | | | | | |
| less cost of sales | | 835 560 | 3 | | |
| Opening stock | 82 150 | | | | |
| add Purchases | 631 090 | | 4 | | |
| | 713 240 | | | | |
| less Closing stock | 76 500 | 636 740 | | | |
| Gross profit | | 198 820 | 1 | of | |
| Discount received | | 19 000 | 1 | | |
| | | 217 820 | | | |
| less Expenses | | | | | |
| Rent & rates | 12 590 | | | | |
| Electricity | 17 145 | | | | |
| Advertising | 19 325 | | | | |
| Wages | 65 100 | | | | |
| Sales commission | 14 250 | | | | |
| Depreciation | 13 500 | 141 910 | 1 | | |
| Net profit | | 75 910 | 1 + 1 | of | [12] |

**(b)** Balance Sheet at 31 March 2009



| | | | | | |
|---|---|---|---|---|---|
| Fixed assets | | | | | |
| Premises | | | 200 000 | | |
| Fixtures | | | 18 000 | | |
| Vehicles | | | 22 500 | | |
| | | | 240 500 | 1 | |
| Current assets | | | | | |
| Stock | 76 500 | | | | |
| Debtors | 60 870 | | | | |
| Bank | 17 930 | | | | |
| Cash | 510 | 155 810 | | 1 | |
| Current liabilities | | | | | |
| Creditors | | 71 200 | | 1 | |
| Net current assets | | | 84 610 | | |
| | | | 325 110 | | |
| Capital at start | | | 277 700 | 4 | |
| Net profit | | | 75 910 | 1 | |
| | | | 353 610 | | |
| Drawings | | | 28 500 | 1 | |
| | | | 325 110 | | [9] |

**(c) (i)**

| Profitability ratios | 2008 | 2009 |
|---|---|---|
| GP ratio | 19.63 % | 23.79 % |
| NP Ratio | 5.24 % | 9.08 % |
| RoCE | 15.48 % | 23.35 % |
| **OR** | 17.20 % | 27.34 % |

**OR** Return on Equity **OR** Return on Total Assets **OR** Operating Expenses over Sales
**OR** Fixed Asset Turnover
Any 2 for 1 mark each [2]

**(ii)** Liquidity ratios

| | | | |
|---|---|---|---|
| Current ratio | 1.19 :1 | 2.19 :1 | 1 |
| Liquid ratio | 0.53 :1 | 1.11 :1 | 1 |
| Drs turnover | 29.53 days | 26.59 days | 1 |

Any 2 for 1 mark each [2]

**(iii)** Correct comparisons based on the two years' ratios, with a relevant conclusion.
Total of 4 marks for comparisons and 1 for conclusion based on candidate's answers. [5]



**[Total: 30]**

**2 A (a) (i)** Without this account,
profits may be over-stated;
assets may be over-stated;
following the above, the businessman may take more as drawings than he should. [2]

**(ii)** Monitoring previous years' bad debts in general;
monitoring individual debtors' accounts. [2]

**(iii)** A bad debt should be written off when it becomes bad,
whereas a provision is set up to cover doubtful debts. [2]

**(b) (i)**

| Date | Details | Dr $ | Cr $ | Bal $ | | |
|---|---|---|---|---|---|---|
| Provision for doubtful debts account | | | | | | |
| 2008 | | | | | | |
| 01 April | Balance b/d | | 8000 | 8000 | Cr | |
| 2009 | | | | | | |
| 31 Mar | Profit and Loss | 1850 | | 6150 | Cr | [3] |

**(ii)** Bad debts account

| | | | | | | |
|---|---|---|---|---|---|---|
| 2008 | | | | | | |
| 31 May | Liew | 720 | | 720 | Dr | |
| 30 June | Uriah | 1625 | | 2345 | | |
| 2009 | | | | | | |
| 28 Feb | Sundry debtors | 300 | | 2645 | | |
| 31 Mar | Profit & Loss | | 2645 | 0 | | [4] |

**(iii)** Bad debts recovered account

| | | | | | | |
|---|---|---|---|---|---|---|
| 2009 | | | | | | |
| 31 March | Khalil | | 3000 | 3000 | Cr | |
| | Profit & Loss | 3000 | | 0 | | [2] |

**Alternative presentation of (b)**

**(b) (i)** Provision for doubtful debts account

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2009 | | | 2008 | | | | |
| 31 Mar | P & L | 1850 | 1 Apr | Bal b/d | 8000 | 2 | |
| | Bal c/d | 6150 | | | | 1 | |
| | | 8000 | | | 8000 | | |
| | | | 2009 | | | | |
| | | | 1 Apr | Bal b/d | 6150 | | [3] |



**(ii)** Bad debts account

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2008 | | | | | | | |
| 31 May | Liew | 720 | | | | 1 | |
| 30 Jun | Uriah | 1625 | | | | 1 | |
| 2009 | | | 2009 | | | | |
| 28 Feb | Debtors | 300 | 31 Mar | P & L | 2645 | 2 | |
| | | 2645 | | | 2645 | | [4] |

**(iii)** Bad debts recovered account

| | | | | | | |
|---|---|---|---|---|---|---|
| 2009 | | | 2009 | | | |
| 31 Mar | P & L | 3000 | 31 Mar | Khalil | 3000 | [2] |

**B (a)** Mark-up is the percentage **added** to cost to find selling price. 1

Margin is the percentage **deducted** from the selling price to find the cost price. 1

Or any other correct answer. [2]

**(b)**

| | | $ | $ | | |
|---|---|---|---|---|---|
| Stock at 8 June 2009 | | | 72 200 | | |
| add | Sales | 19 800 | | 2 | |
| | Drawings | 700 | | 1 | |
| | Purchases returns | 510 | 21 010 | 1 | |
| | | | 93 210 | | |
| less | Purchases | 21 200 | | 1 | |
| | Sales returns | 210 | | 2 | |
| | Water damaged | 300 | | 2 | |
| | Out of fashion | 400 | | 1 | |
| | Sale or return | 950 | | 1 | |
| | For collection | 1 200 | 24 260 | 2 | |
| Correct valuation at 31 May 2009 | | | 68 950 | | [13] |

**[Total: 30]**

**3 (a)**



| | | $ | | |
|---|---|---|---|---|
| Unit selling price | | 80 | 1 | |
| less costs | | | | |
| Direct materials | 40 | | 1 | |
| Direct labour | 8 | | 1 | |
| Variable overheads | 10 | | 1 | |
| Fixed overheads | 11 | 69 | 1 | |
| Unit profit | | 11 | | |
| | Multiplied by | 150 000 | | |
| Total annual profit | | 1 650 000 | 1 + 1 of | |
| | | | | [7] |

**OR**

| | | | | |
|---|---|---|---|---|
| Total selling price | | 12 000 000 | 1 | |
| less total costs | | | | |
| Direct materials | 6 000 000 | | 1 | |
| Direct labour | 1 200 000 | | 1 | |
| Variable overheads | 1 500 000 | | 1 | |
| Fixed overheads | 1 650 000 | 10 350 000 | 1 | |
| Total annual profit | | 1 650 000 | 1 + 1 of | [7] |

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**(b)**

| | Normal shift | | Extra shift | | |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | |
| Unit SP | | 75 | | 75 | 2 |
| DM | 34 | | 34 | | 2 |
| DL | 8 | | 10 | | 2 |
| VO | 10 | 52 | 11 | 55 | 2 |
| | | 23 | | 20 | |
| Units sold | | 150 000 | | 50 000 | |
| Total contribution | | 3 450 000 | | 1 000 000 | 2 |
| Full contribution | | 4 450 000 | | | 1 |
| Fixed costs | | 2 650 000 | | | 2 |
| Profit | | 1 800 000 | | | 1 |
| Original profit | | 1 650 000 | | | 1 |
| Additional profit | | 150 000 | | | 1 + 1 of [17] |

**(c)**
1 Are extra workers available?
2 Can new workers be trained?
3 Is it worth training workers for what might be a one-off situation?
4 There may be additional costs of transport and administration to be considered.
5 Additional maintenance of equipment?
6 Can quality be maintained?
Etc

Any three answers award 2 marks each to a maximum [6]



**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2009 question paper

# for the guidance of teachers

## 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 A/AS LEVEL – May/June 2009 | 9706 | 22 |

**1 (a)** Trading and Profit and Loss account for the year ended 31 March 2009

| | $ | $ | | |
|---|---|---|---|---|
| Sales | | | | |
| less cost of sales | | 835 560 | 3 | |
| Opening stock | 82 150 | | | |
| add Purchases | 631 090 | | 4 | |
| | 713 240 | | | |
| less Closing stock | 76 500 | 636 740 | | |
| Gross profit | | 198 820 | 1 | of |
| Discount received | | 19 000 | 1 | |
| | | 217 820 | | |
| less Expenses | | | | |
| Rent & rates | 12 590 | | | |
| Electricity | 17 145 | | | |
| Advertising | 19 325 | | | |
| Wages | 65 100 | | | |
| Sales commission | 14 250 | | | |
| Depreciation | 13 500 | 141 910 | 1 | |
| Net profit | | 75 910 | 1 + 1 | of [12] |

**(b)** Balance Sheet at 31 March 2009

| | $ | $ | $ | | |
|---|---|---|---|---|---|
| Fixed assets | | | | | |
| Premises | | | 200 000 | | |
| Fixtures | | | 18 000 | | |
| Vehicles | | | 22 500 | | |
| | | | 240 500 | 1 | |
| Current assets | | | | | |
| Stock | 76 500 | | | | |
| Debtors | 60 870 | | | | |
| Bank | 17 930 | | | | |
| Cash | 510 | 155 810 | | 1 | |
| Current liabilities | | | | | |
| Creditors | | 71 200 | | 1 | |
| Net current assets | | | 84 610 | | |
| | | | 325 110 | | |
| Capital at start | | | 277 700 | 4 | |
| Net profit | | | 75 910 | 1 | |
| | | | 353 610 | | |
| Drawings | | | 28 500 | 1 | |
| | | | 325 110 | | [9] |

**(c) (i)**

| Profitability ratios | 2008 | 2009 |
|---|---|---|
| GP ratio | 19.63 % | 23.79 % |
| NP Ratio | 5.24 % | 9.08 % |
| RoCE | 15.48 % | 23.35 % |
| **OR** | 17.20 % | 27.34 % |

**OR** Return on Equity **OR** Return on Total Assets **OR** Operating Expenses over Sales
**OR** Fixed Asset Turnover
Any 2 for 1 mark each [2]

**(ii)** Liquidity ratios

| | | | |
|---|---|---|---|
| Current ratio | 1.19 :1 | 2.19 :1 | 1 |
| Liquid ratio | 0.53 :1 | 1.11 :1 | 1 |
| Drs turnover | 29.53 days | 26.59 days | 1 |

Any 2 for 1 mark each [2]

**(iii)** Correct comparisons based on the two years' ratios, with a relevant conclusion.
Total of 4 marks for comparisons and 1 for conclusion based on candidate's answers. [5]



**[Total: 30]**

**2 A (a) (i)** Without this account,
profits may be over-stated;
assets may be over-stated;
following the above, the businessman may take more as drawings than he should. [2]

**(ii)** Monitoring previous years' bad debts in general;
monitoring individual debtors' accounts. [2]

**(iii)** A bad debt should be written off when it becomes bad,
whereas a provision is set up to cover doubtful debts. [2]

**(b) (i)**

| Date | Details | Dr $ | Cr $ | Bal $ | | |
|---|---|---|---|---|---|---|
| Provision for doubtful debts account | | | | | | |
| 2008 | | | | | | |
| 01 April | Balance b/d | | 8000 | 8000 | Cr | |
| 2009 | | | | | | |
| 31 Mar | Profit and Loss | 1850 | | 6150 | Cr | [3] |

**(ii)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Bad debts account | | | | | | |
| 2008 | | | | | | |
| 31 May | Liew | 720 | | 720 | Dr | |
| 30 June | Uriah | 1625 | | 2345 | | |
| 2009 | | | | | | |
| 28 Feb | Sundry debtors | 300 | | 2645 | | |
| 31 Mar | Profit & Loss | | 2645 | 0 | | [4] |

**(iii)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Bad debts recovered account | | | | | | |
| 2009 | | | | | | |
| 31 March | Khalil | | 3000 | 3000 | Cr | |
| | Profit & Loss | 3000 | | 0 | | [2] |

**Alternative presentation of (b)**

**(b) (i)** Provision for doubtful debts account

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2009 | | | 2008 | | | | |
| 31 Mar | P & L | 1850 | 1 Apr | Bal b/d | 8000 | 2 | |
| | Bal c/d | 6150 | | | | 1 | |
| | | 8000 | | | 8000 | | |
| | | | 2009 | | | | |
| | | | 1 Apr | Bal b/d | 6150 | | [3] |



**(ii)** Bad debts account

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2008 | | | | | | | |
| 31 May | Liew | 720 | | | | 1 | |
| 30 Jun | Uriah | 1625 | | | | 1 | |
| 2009 | | | 2009 | | | | |
| 28 Feb | Debtors | 300 | 31 Mar | P & L | 2645 | 2 | |
| | | 2645 | | | 2645 | | [4] |

**(iii)** Bad debts recovered account

| | | | | | | |
|---|---|---|---|---|---|---|
| 2009 | | | 2009 | | | |
| 31 Mar | P & L | 3000 | 31 Mar | Khalil | 3000 | [2] |

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**B (a)** Mark-up is the percentage **added** to cost to find selling price. 1

Margin is the percentage **deducted** from the selling price to find the cost price. 1

Or any other correct answer. [2]

**(b)**

| | | $ | $ | |
|---|---|---|---|---|
| Stock at 8 June 2009 | | | 72 200 | |
| add | Sales | 19 800 | | 2 |
| | Drawings | 700 | | 1 |
| | Purchases returns | 510 | 21 010 | 1 |
| | | | 93 210 | |
| less | Purchases | 21 200 | | 1 |
| | Sales returns | 210 | | 2 |
| | Water damaged | 300 | | 2 |
| | Out of fashion | 400 | | 1 |
| | Sale or return | 950 | | 1 |
| | For collection | 1 200 | 24 260 | 2 |
| Correct valuation at 31 May 2009 | | | 68 950 | [13] |

**[Total: 30]**

**3 (a) (i)** Break-even in units $\frac{240\,000\ \textbf{(1)}}{12\ \textbf{(1)} - 10\ \textbf{(1)}}$ = 120 000 units **(1)**



Break-even in sales value = 120 000 x $12 **(1)** = $1 440 000 **(1of)** [6]

**(ii)**

| | $ | |
|---|---|---|
| Selling price | 12 | **(1)** |
| Variable costs | 10 | **(1)** |
| Contribution per unit | 2 | |
| Number of units | 400 000 | |
| Total contribution | 800 000 | |
| Fixed costs | 240 000 | **(1)** |
| Profit | 560 000 | **(1)** |

[4]

**(iii)** Margin of safety in units = 400 000 **(1)** – 120 000 = 280 000 units **(1of)**

As a percentage of sales = $\frac{280\,000}{400\,000}$ **(1of)** = 70% **(1of)** [4]

**(b)**

| | Plates | | Cups | | Saucers | | |
|---|---|---|---|---|---|---|---|
| | $ | | $ | | $ | | |
| Selling price | 12 | | 18 | | 26 | | |
| Variable costs | 10 | | 15 | | 20 | | |
| Unit contribution | 2 | | 3 | **(1)** | 6 | **(1)** | |
| Number of units | 400 000 | **(1)** | 100 000 | **(1)** | 360 000 | **(1)** | |
| Total contribution per product | 800 000 | **(1)** | 300 000 | **(1)** | 360 000 | **(1)** | |
| | Total contribution all 3 products | | | | 1 460 000 | **(1of)** | |
| | less Fixed costs | | | | 480 000 | **(1)** | |
| | Total profit | | | | 980 000 | **(1)** | [10] |

**(c)** Additional employment available
Increased pollution
Work for local suppliers
Training for new employees
Other suitable answers
**Any three appropriate answers for 2 marks each** [6]

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2010 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/11** Paper 11 (Multiple Choice – Core), maximum raw mark 30

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| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **A** | 16 | **C** |
| 2 | **D** | 17 | **C** |
| 3 | **B** | 18 | **B** |
| 4 | **C** | 19 | **A** |
| 5 | **A** | 20 | **A** |
| 6 | **D** | 21 | **C** |
| 7 | **B** | 22 | **B** |
| 8 | **B** | 23 | **C** |
| 9 | **D** | 24 | **D** |
| 10 | **A** | 25 | **D** |
| 11 | **D** | 26 | **C** |
| 12 | **C** | 27 | **A** |
| 13 | **B** | 28 | **C** |
| 14 | **C** | 29 | **D** |
| 15 | **C** | 30 | **D** |

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# MARK SCHEME for the May/June 2010 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/12** Paper 12 (Multiple Choice – Core), maximum raw mark 30

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| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **D** | 16 | **C** |
| 2 | **B** | 17 | **B** |
| 3 | **C** | 18 | **A** |
| 4 | **A** | 19 | **A** |
| 5 | **D** | 20 | **C** |
| 6 | **B** | 21 | **B** |
| 7 | **B** | 22 | **C** |
| 8 | **D** | 23 | **D** |
| 9 | **A** | 24 | **D** |
| 10 | **D** | 25 | **C** |
| 11 | **C** | 26 | **A** |
| 12 | **B** | 27 | **C** |
| 13 | **C** | 28 | **D** |
| 14 | **C** | 29 | **D** |
| 15 | **C** | 30 | **A** |

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# MARK SCHEME for the May/June 2010 question paper

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## 9706 ACCOUNTING

**9706/13** Paper 13 (Multiple Choice – Core), maximum raw mark 30

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|---|---|---|---|
| | GCE A/AS LEVEL – May/June 2010 | 9706 | 13 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **B** | 16 | **B** |
| 2 | **C** | 17 | **A** |
| 3 | **A** | 18 | **A** |
| 4 | **D** | 19 | **C** |
| 5 | **B** | 20 | **B** |
| 6 | **B** | 21 | **C** |
| 7 | **D** | 22 | **D** |
| 8 | **A** | 23 | **D** |
| 9 | **D** | 24 | **C** |
| 10 | **C** | 25 | **A** |
| 11 | **B** | 26 | **C** |
| 12 | **C** | 27 | **D** |
| 13 | **C** | 28 | **D** |
| 14 | **C** | 29 | **A** |
| 15 | **C** | 30 | **D** |

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# MARK SCHEME for the May/June 2010 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/21** Paper 21 (Structured Questions (Core)), maximum raw mark 90

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| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
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| | GCE AS/A LEVEL – May/June 2010 | 9706 | 21 |

**1 (a)** Income statement (Trading and Profit and Loss Account)
for the year ended 30 April 2010

| | $000 | $000 | | |
|---|---|---|---|---|
| Revenue (sales) | | 1600 | **1** | |
| Cost of sales | | | | |
| Inventory (stock) at 1 May 2009 | 124 | | **1** | |
| Ordinary goods purchased (Purchases) | 946 | | **1** | |
| | 1070 | | | |
| Inventory (stock) at 30 April 2010 | 219 | 851 | **1** | |
| Gross Profit | | 749 | **1of** | |
| Operating expenses: | | | | |
| Wages | 172 | | **1** | |
| Distribution expenses | 48 | | **1** | |
| Business rates | 50 | | **1** | |
| Insurance | 28 | | **1** | |
| Advertising | 79 | | **1** | |
| Depreciation | | | | |
| Buildings (Property) | 30 | | **2of** | see |
| Warehouse fittings | 35 | | **3of** | below |
| Loss on sale | 1 | 443 | **1** | |
| Profit from operations (Operating profit) | | 306 | **1of** | |
| Loan interest | | 12 | **1** | |
| Profit for the year (Net profit) | | 294 | **1of** | |

**[19]**



| | | $000 | $000 | |
|---|---|---|---|---|
| Workings for depreciation: | | Cost | Depn | |
| Balance on Warehouse fittings per trial balance | | 348 | 197 | |
| Less cost of fittings sold | **1** | 52 | 41 | Marks |
| | | 296 | 156 | for |
| Depreciation for year = (296 – 156) × 25% = | **2** | | 35 | dep'n |
| Total depreciation for balance sheet | | | 191 | |
| | | | | |
| Balance on Property (buildings) per trial balance | | 1490 | 320 | |
| Add back per note (ii) | **1** | 10 | | |
| | | 1500 | | |
| Depreciation for year = 1500 × 2% | **1** | | 30 | |
| Total depreciation for balance sheet | | | 350 | |

**(b)** Balance Sheet at 30 April 2010

| | $000 | $000 | $000 | |
|---|---|---|---|---|
| **Assets** | Cost | Dep'n | NBV | |
| Non-current (fixed) assets | | | | |
| Property (Buildings) | 1500 | 350 | 1150 | **1** |
| Warehouse fittings | 296 | 191 | 105 | **1** |
| | 1796 | 541 | 1255 | **1of** |
| Current Assets | | | | |
| Stock | | 219 | | **1** |
| Trade receivables (debtors) | | 360 | | |
| Other receivables | | 2 | | **1** |
| Cash and cash equivalents (bank) | | 48 | 629 | |
| **Total assets** | | | 1884 | |
| | | | | |
| **Equity and liabilities** | | | | |
| Equity: | | | | |
| Capital at 1 May 2009 | | | 1400 | |
| Net profit | | | 294 | **1of** |
| | | | 1694 | |
| Drawings | | | 25 | **1** |
| | | | 1669 | |
| Current liabilities | | | | |
| Trade payables (creditors) | | 92 | | |
| Other payables (accruals) (12 + 5 + 6) | | 23 | 115 | **3** |
| | | | | |
| Non-current liabilities | | | | |
| 12% Loan repayable 2015 | | | 100 | **1** |
| | | | 1884 | |



**[11]**

**[Total: 30]**

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**2 (a) (ii)** $\frac{\text{Net profit}}{\text{Sales}} \times 100 = \frac{45\,000}{375\,000} \times 100 = 12\%$

**(iii)** $\frac{\text{Net profit}}{\text{Capital}} \times 100 = \frac{45\,000}{450\,000} \times 100 = 10\%$

**(iv)** $\frac{\text{Net profit}}{\text{Total Assets}} \times 100 = \frac{45\,000}{480\,000} \times 100 = 9.40\%$

**(v)** $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{52\,000}{30\,000} = 1.7{:}1$

**(vi)** $\frac{\text{Current Assets - Stock}}{\text{Current Liabilities}} = \frac{24\,000}{30\,000} = 0.8{:}1$

**(vii)** $\frac{\text{Debtors}}{\text{Sales}} \times 365 = \frac{22\,500}{375\,000} \times 365 =$ 22 days (or 21.9)

**(viii)** $\frac{\text{Creditors}}{\text{Purchases}} \times 365 = \frac{30\,000}{281\,250} \times 365 =$ 39 days (or 38.9)

**(ix)** $\frac{\text{Cost of Goods Sold}}{\text{Average Stock}} = \frac{285\,250}{30\,000} =$ 9.5 times

**2** marks each to a total of **16** **[16]**
**1** mark for correct formula **or** working or **2** for correct answer.



**(b)** Chikkadea **[2]**

**(c)** C's gross profit margin shows that she makes more gross profit for every dollar of sales.
C's net profit margin shows that she makes more net profit for every dollar of sales.
C's return on total assets shows that for every dollar's worth of total assets in the business she receives a better return than D does.
C's return on capital employed shows that for every dollar she has invested in the business she receives more profit in return.
C's current ratio shows that she is more able to pay her short term debts.
C's liquid ratio shows that she is more able to pay her immediate debts.
C's debtors' turnover shows that she collects debt faster so that cash becomes available sooner.
C's creditors' turnover shows that she is given longer to pay her debts and has more time to make use of her creditors' cash.
C's inventory return rate (rate of stockturn) shows that she sells her goods faster and should therefore make her profits faster.

Any **four** of the above answers for a maximum of **3** marks each. **[12]**

**[Total: 30]**

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**3 (a)**

Marginal costing

| | | $ | |
|---|---|---|---|
| Sales (365 × \$34.00) | | 12 410 | **2** |
| Cost of production | | | |
| Direct material 380 × (1.00 + 3.00 + 7.00) | | 4 180 | **2** |
| Direct labour (380 ÷ 4 × 8) | | 760 | **2** |
| Variable overhead (380 ÷ 4 ×14) | | 1 330 | **2** |
| | | 6 270 | |
| less stock increase (15 × 16.50) | | 248 | **4** |
| | | 6 023 | |
| add sales commission 365 × 1 | | 365 | **1** |
| | | 6 388 | |
| Contribution | | 6 023 | **1** |
| less fixed factory overhead | 3 040 | | |
| less fixed admin expenses | 1 250 | 4 290 | **1** |
| Net profit | | 1 733 | **1** |
| | | | **[16]** |

Alternative methods
Marginal costing

| | | | $ | |
|---|---|---|---|---|
| Sales | | | 12 410 | **2** |
| Cost of sales | | | | |
| Prod costs | 6270 | **W1** | | **6** |
| Clos stock | 248 | **W2** | 6 022 | **4** |
| | | | 6 388 | |
| Commission | | | 365 | **1** |
| Contribution | | | 6 023 | **1** |
| Fixed costs | | | 4 290 | **1** |
| Net profit | | | 1 733 | **1** |
| | | | | **[16]** |

**(b)** Absorption costing

| | | $ | |
|---|---|---|---|
| Sales | | 12 410 | **1** |
| Cost of production | | | |
| Direct material | | 4 180 | |
| Direct labour | | 760 | **1** |
| Variable overhead | | 1 330 | |
| Fixed overhead (380 × 3040 ÷ 380) | | 3 040 | **2** |
| | | 9 310 | |
| less closing stock (15 × (11 + 2 + 3.5 + 8)) | | 368 | **3** |
| Production cost of sales | | 8 943 | |
| Gross profit | | 3 468 | **1** |
| less sales commission | 365 | | |
| Less fixed admin expenses | 1 250 | 1 615 | **1** |
| Net profit | | 1 853 | **1** |
| | | | **[10]** |

Absorption costing

| | | | $ | |
|---|---|---|---|---|
| Sales | | | 12 410 | **1** |
| Cost of sales | | | | |
| Prod costs | 9310 | **W3** | | **3** |
| Clos stock | 368 | **W4** | 8 943 | **3** |
| Gross Profit | | | 3 468 | **1** |
| Commission | 365 | | | |
| Admin | 1250 | | 1 615 | **1** |
| Net profit | | | 1 853 | **1** |
| | | | | **[10]** |



**(c)** Reconciliation of profit

| | | |
|---|---|---|
| Absorption costing profit | 1 853 | |
| Marginal costing profit | 1 733 | |
| Difference | 120 | **1** |

Being value of closing stock 15 units **1** @ £8 **1**, the fixed factory overhead **1** is not included in marginal costing. **[4]**

The alternative methods use the following workings:

| | | | |
|---|---|---|---|
| **W1** | 380(1.00 + 3.00 + 7.00 + 2.00 + 3.50) | 6270 | |
| **W2** | 15(1.00 + 3.00 + 7.00 + 2.00 + 3.50) | 247.5 | (rounded to 248) |
| **W3** | 380(1.00 + 3.00 + 7.00 + 2.00 + 3.50 + 8.00) | 9310 | |
| **W4** | 15(1.00 + 3.00 + 7.00 + 2.00 + 3.50 + 8.00) | 367.5 | (rounded to 368) |

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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# MARK SCHEME for the May/June 2010 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/22** Paper 22 (Structured Questions (Core)), maximum raw mark 90

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| | GCE AS/A LEVEL – May/June 2010 | 9706 | 22 |

**1 (a)** Manufacturing Account for the year ended 30 April 2010

| | $000 | $000 | | |
|---|---|---|---|---|
| Raw materials | | | | |
| Stock at 1 May 2009 | | 164 | **1** | |
| Purchases | | 2628 | **1** | |
| | | 2792 | | |
| Stock at 30 April 2010 | | 202 | **1** | |
| Cost of raw materials consumed | | 2590 | | |
| Manufacturing wages | | 520 | **1** | |
| Prime cost | | 3110 | | |
| Factory overheads | | | | |
| Factory expenses | 432 | | **1** | |
| Factory depreciation | 700 | 1132 | **1** | |
| | | 4242 | | |
| Work in progress | | | | |
| Stock at 1 May 2009 | 146 | | **1** | |
| Stock at 30 April 2010 | 128 | 18 | **1** | |
| Factory cost of production | | 4260 | | **[8]** |

**(b)** Income Statement (Trading and Profit and Loss Account) for year ended 30 April 2010

| | $000 | $000 | | |
|---|---|---|---|---|
| Sales | | 5684 | **1** | |
| Stock of finished goods at 1 May 2009 | 292 | | | |
| Cost of production | 4260 | | | |
| | 4552 | | | |
| Inventory (stock) of finished goods at 30 April 2010 | 252 | 4300 | **1** | |
| Gross profit | | 1384 | | |
| Reduction in provision for doubtful debts | 6 | | **1** | |
| Income from rent | 48 | 54 | **1** | |
| | | 1438 | | |
| Depreciation | 238 | | **1** | |
| Bank charges | 12 | | **1** | |
| Bank interest | 38 | | **1** | |
| Office expenses | 348 | | **1** | |
| Salaries | 222 | | **1** | |
| Sales expenses | 248 | | **1** | |
| Bad debt written off | 14 | 1120 | **1** | **[11]** |
| Net profit | | 318 | | |

**(c)** Balance Sheet at 30 April 2010

| | | $000 Cost | $000 Deprec | $000 NBV | | |
|---|---|---|---|---|---|---|
| Non-current (fixed) assets | | | | | | |
| Factory | | 2800 | 1800 | 1000 | **2** | |
| Office | | 952 | 618 | 334 | **2** | |
| | | 3752 | 2418 | 1334 | | |
| Current assets | | | | | | |
| Inventories (stocks) | | | | | | |
| Raw materials | | 202 | | | | |
| Finished goods | | 252 | | | | |
| Work in progress | | 128 | | | | |
| | | 582 | | | **1** | |
| Trade receivables | 466 | | | | **1** | |
| prov for d debts | 10 | 456 | 1038 | | **1** | |
| Current Liabilities | | | | | | |
| Trade payables | | 426 | | | **1** | |
| Bank | | 290 | 716 | 322 | **1** | |
| | | | | 1656 | | |
| Capital at 1 May 2009 | | | | 1338 | **1** | |
| Net profit | | | | 318 | **1** | **[11]** |
| | | | | 1656 | | |

**[Total: 30]**

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**2** Data

| Non-current (fixed) assets | Machinery | Motor Vehicles |
|---|---|---|
| | $000 | $000 |
| Cost 1 May 2008 | 4200 | 3200 |
| Additions during year | 1200 | 800 |
| Less disposals during year | -700 | -1000 |
| Cost 30 April 2009 | 4700 | 3000 |
| | | |
| Depreciation balance at 1 May 2008 | 1560 | 840 |
| Add charge for year | 470 | 750 |
| Less on disposals for year | -520 | -800 |
| Depreciation balance at 30 April 2009 | 1510 | 790 |

Percentage depreciation

Machinery $\dfrac{470 \times 100}{4700}$ 10%

Motor vehicles $\dfrac{750 \times 100}{3000}$ 25%

**(a)** **(i)** Disposal accounts

Machinery

| | | $000 | | $000 | |
|---|---|---|---|---|---|
| Cost | **1** | 400 | Depn 4 years | 160 | **1** |
| | | | Cash | 200 | **1** |
| | | | Loss | 40 | **1of** |
| | | 400 | | 400 | |



Vehicles (item 2)

| | | | | | |
|---|---|---|---|---|---|
| Cost | **1** | 400 | Depn 3 years | 300 | **1** |
| Profit | **1of** | 20 | Part exch | 120 | **1** |
| | | 420 | | 420 | |

Vehicles (item 3)

| | | | | | |
|---|---|---|---|---|---|
| Cost | **1** | 360 | Depn 1 year | 90 | **1** |
| | | | Bank | 210 | **1** |
| | | | Loss | 60 | **1of** |
| | | 360 | | 360 | |

**[12]**

DOES NOT NEED TO BE IN THE FORM OF ACCOUNTS

**(ii)** Non-current (fixed) asset schedule

| | | Machinery | Motor Vehicles | |
|---|---|---|---|---|
| | | $000 | $000 | |
| Cost at 1 May 2010 | | 4700 | 3000 | |
| Additions during year | **1** | 900 | 840 | **1** |
| Less disposals during year | **1** | -400 | -760 | **1** |
| Cost at 30 April 2011 | | 5200 | 3080 | |
| | | | | |
| Depreciation at 1 May 2010 | | 1510 | 790 | |
| Add charge for year | **1of** | 520 | 770 | **1of** |
| Less on disposals during year | **1of** | -160 | -390 | **1of** |
| | | 1870 | 1170 | |

**[8]**

**(b)** **(i)** 1 Wear and tear
2 Obsolescence
3 Time
4 Depletion
**No** marks for methods. Any three correct for (3) **[3]**

**(ii)** 1 Machinery, vehicles
2 Computers, any technological equipment
3 Lease
4 Quarry, oil well etc.
Any three correct for (3) **[3]**

**(c)** 1 Cost or Market value
2 Useful life
3 Residual value at end of useful life
4 Expected length of ownership
5 Rate of usage
6 Method of depreciation
7 Type of asset
8 Machine hours
Any correct 4 for (4) **[4]**

**[Total: 30]**

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**3** **(a)** **(i)** The break-even point is the level of activity at which the business makes neither a profit nor a loss – i.e. total contribution = total fixed costs. (accept a relevant formula) [2]

**(ii)** The margin of safety is the distance between the break-even point and the expected level of activity. It is the amount by which actual activity can fall short of expected activity before a loss is incurred. [2]

**[4]**

| | | |
|---|---|---|
| DATA | Sales | 460 000 |
| | Variable costs | 299 000 |
| | Fixed costs | 90 000 |

**(b)** $\frac{\text{Sales - variable costs}}{\text{Sales}} \times 100$ $\quad$ $\frac{\overset{\mathbf{1}}{460} - \overset{\mathbf{1}}{299}}{\underset{\mathbf{1}}{460}} \times 100$ $\quad$ 35% **1of** **[4]**

**(c)** $\frac{\text{Fixed costs}}{\text{c/s ratio}} \times 100$ $\quad$ $\overset{\mathbf{1}}{90\,000} \times \frac{100}{\underset{\mathbf{1of}}{35}}$ $\quad$ \$257 143 **1of** **[3]**



**(d)** $(\text{Fixed costs} + \text{profit}) \times \frac{100}{\text{c/s ratio}}$ $\quad$ $(\overset{\mathbf{1}}{90\,000} + \overset{\mathbf{1}}{100\,000}) \times \frac{100}{\underset{\mathbf{1of}}{35}}$ $\quad$ \$542 857 **1of** **[4]**

**(e)** $\text{Sales} \times \text{c/s ratio - fixed costs}$ $\quad$ $(\overset{\mathbf{1}}{375\,000} \times \overset{\mathbf{1of}}{\frac{35}{100}}) - \overset{\mathbf{1}}{90\,000}$ $\quad$ \$41250 **1of** **[4]**

**OR** $\underset{\mathbf{1}}{375\,000} - (\underset{\mathbf{1of}}{.65 \times 375\,000} + \underset{\mathbf{1}}{90\,000})$ $\quad$ \$41250 **1of**

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**(f)** Revised contribution = sales - 5% - variable costs

460 000 - 23 000 - 299 000 $138 000
**1** **1** **1** **1of**

$$\text{Revised c/s ratio} = \frac{\text{revised contribution}}{\text{new sales}} \times 100$$

**1of**

$$\frac{\$138\,000 \times 100}{460\,000 \times 0.95}$$ 31.57895%

**1** **1**

$$\text{Fixed costs} + \text{profit} \times \frac{100}{\text{c/s ratio}}$$

**1** **1**

$$= (90\,000 + 80\,000) \times \frac{100}{31.57895}$$ $538 333 **1of**

**1of**

Accept answers between $531 250 and $548 387 – answer depends on number of decimal places revised c/s ratio is taken to. **[11]**

ALTERNATIVE METHODS ACCEPTABLE THROUGHOUT



**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2010 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/23** Paper 23 (Structured Questions (Core)), maximum raw mark 90

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**1** WORKINGS

1 Calculation for trade receivables (debtors)

| | $ | | $ | |
|---|---|---|---|---|
| Bal b/d | 46 400 | Bank | 424 000 | |
| Sales | 393 400 | Trade rec. | 15 800 | **1of** |
| | 439 800 | | 439 800 | (awarded in **(d)**) |

2 Calculation of opening capital

| | $ Dr | $ Cr | |
|---|---|---|---|
| Trade payables (creditors) | | 29 200 | |
| Bank | | 15 000 | |
| Trade receivables (debtors) | 46 400 | | |
| Inventory (stock) | 24 400 | | |
| Machinery at net book value | 206 400 | | |
| Capital | | 233 000 | **1 + 1of** |
| | 277 200 | 277 200 | (awarded in **(d)**) |

3 Calculation of depreciation

| | | | |
|---|---|---|---|
| Machinery at NBV 30/04/09 | | 206 400 | **1** |
| add machinery purchased | | 30 400 | **1** |
| | | 236 800 | |
| less NBV of Machinery sold | 5 600 | | **1** |
| Machinery at NBV 30/04/10 | 216 000 | 221 600 | **1** |
| | | 15 200 | (awarded in **(c)**) |

**(a)** Calculation of ordinary goods purchased for the year



| | $ | |
|---|---|---|
| Ordinary goods purchased for cash | 228 000 | **1** |
| less trade payables at start | 29 200 | **1** |
| | 198 800 | |
| add trade payables at end | 32 200 | **1** |
| | 231 000 | |

**[3]**

**(b)** Calculation for sales for the year

| | | |
|---|---|---|
| Cost of sales | | |
| Opening inventory (stock) | 24 400 | **1** |
| Ordinary goods purchased | 231 000 | **1of** |
| | 255 400 | |
| Less closing inventory (stock) | 30 600 | **1** |
| | 224 800 | **1** |
| Sales = 224 800 × 1.75 (mark-up) | 393 400 | **1** |

**[5]**

**(c)** Income statement (trading and profit and loss account)
for the year ended 30 April 2010

| | $ | $ | | |
|---|---|---|---|---|
| Sales | | 393 400 | **1of** | |
| cost of sales | | 224 800 | | |
| Gross profit | | 168 600 | | |
| | | | | |
| Rent (24 200 – 6200) | 18 000 | | **2** | |
| Insurance (14 200 – 3400) | 10 800 | | **2** | |
| Wages (104 200 – 28 000) | 76 200 | | **2** | |
| Postage | 800 | | **1** | |
| Electricity | 8 400 | | **1** | |
| Sundries | 4 200 | | **1** | |
| Depreciation | 15 200 | | **3 + 1of** | |
| Loss on disposal (5600 – 1000) | 4 600 | 138 200 | **2** | |
| Profit for the year (net profit) | | 30 400 | | **[16]** |

**(d)** Balance Sheet at 30 April 2010

| | $ | $ | $ | | |
|---|---|---|---|---|---|
| Non-current (fixed) assets | | | | | |
| Machinery at net book value | | | 216 000 | | |
| Current assets | | | | | |
| Inventory (stock) | 30 600 | | | | |
| Trade receivables (drs) | 15 800 | | | **1** | |
| Prepayments | 9 600 | 56 000 | | | |
| Current liabilities | | | | | |
| Trade payables (crs) | 32 200 | | | | |
| Bank | 5 400 | 37 600 | 18 400 | 1 | |
| | | | 234 400 | | |
| | | | | | |
| Capital at 1 May 2009 | | | 233 000 | **1 + 1of*** | |
| Profit for year (net profit) | | | 30 400 | **1of** | |
| | | | 263 400 | | |
| Drawings (28 000 + 1000) | | | 29 000 | **1** | |
| | | | 234 400 | | **[6]** |



* If capital is calculated as a residual value within the balance sheet, award **1of** if wrong value but correctly calculated.

**[Total: 30]**

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**2 (a)** Sales Ledger Control Account

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Balance 1 April 2009 | 29 040 | **1** | Sales returns | 9 878 | **1** | |
| Sales | 499 892 | **1** | Bank | 462 680 | **1** | |
| Bank (dishonoured cheque) | 662 | **1** | Discount allowed | 21 404 | **1** | |
| | | | Bad debts | 9 510 | **1** | |
| | | | Contra | 1 153 | **1** | |
| | | | Balance 31 Mar 2010 | 24 969 | **1** | |
| | 529 594 | | | 529 594 | | |
| Balance 1 April 2010 | 24 969 | **1of** | | | | **[10]** |

**(b) (i)** Amended sales ledger control account

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Balance b/d | 24 969 | | Credit note corrected | 840 | **1** | |
| Dis all'd overstated | 310 | **1** | Debit bal transferred | | | |
| Sales omitted | 998 | **1** | to purchases ledger | 698 | **1** | |
| Extra sales | 3 856 | **1** | Balance c/d | 28 595 | **1** | |
| | 30 133 | | | 30 133 | | |
| Bal b/d | 28 595 | | | | | **[6]** |

**OR**

If candidate draws up a **new** as opposed to an **amended** SLC account, accept as follows.

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Balance | 29 040 | | | | | |
| Cr sales | 499 892 | | Cr note corrected | 420 | | |
| Sales omitted | 998 | **1** | | | | |
| Extra sales | 3 856 | **1** | | | **1** for both | |
| | | | Sales returns | 9 878 | | |
| | | | Cr note corrected | 420 | | |
| Bank (dis cheque) | 662 | | Bank | 462 680 | | |
| Dis all overstated | 310 | **1** | Dis allowed | 21 404 | | |
| | | | Bad debts | 9 510 | | |
| | | | Contra | 1 153 | | |
| | | | Contra | 698 | **1** | |
| | | | Balance | 28 595 | **1** | |
| | 534 758 | | | 534 758 | | **[6]** |



**(ii)**

| | $ | $ | $ | | |
|---|---|---|---|---|---|
| Sales ledger total | add | less | 26 845 | | |
| Sales invoice omitted | 998 | | | **1** | |
| Balance omitted | 2 102 | | | **1** | |
| Entry omitted | 816 | | | **1** | |
| Balance understated | 200 | | 4 116 | **1** | |
| | | | 30 961 | | |
| Credit note corrected | | 840 | | **1** | |
| Bankrupt | | 896 | | **1** | |
| Entry omitted | | 630 | 2 366 | **1** | |
| | | | 28 595 | **1** | **[8]** |

**(c)** Minimize fraud/make fraud easier to find.
Minimize time taken to find errors/make errors easier to find.
Figures for total creditors/debtors easily available.
Sectional ledgers make checking easier.
Control accounts not handled by sales/purchases ledger clerk.

Any **three** answers for **2** marks each. **[6]**

**[Total: 30]**

**3** DATA

| | Cabinet 1 | Cabinet 2 | Cabinet 3 |
|---|---|---|---|
| Variable cost | 400 | 240 | 220 |
| Fixed cost | 8 000 000 | 36 000 000 | 79 200 000 |
| Selling price | 500 | 480 | 520 |

ANSWERS

**(a)**

**(i)** **1** $\frac{36\,000\,000}{400 - 240}$ **2** = 225 000

**(ii)** **1** $\frac{79\,200\,000}{400 - 220}$ **2** = 440 000 **[6]**



**(b)** Difference in fixed costs divided by difference in unit contribution

$$\frac{\overset{1}{79\,200\,000} - \overset{1}{36\,000\,000}}{(\underset{1}{520} - \underset{1}{220}) - (\underset{1}{480} - \underset{1}{240})} = \frac{43\,200\,000}{60} = 720\,000$$ **[6]**

**(c)**

| | Cabinet 1 | Cabinet 2 | Cabinet 3 | |
|---|---|---|---|---|
| Units | | | | |
| **(i)** | 200 000 × (500 – 400) – 8M | × (480 – 240) – 44m | × (520 – 220) – 87.2m | |
| | = $12 000 000 | = $4 000 000 | = $–27 200 000 | **1 each max 3** |
| **(ii)** | 250 000 × (500 – 400) – 8M | × (480 – 240) – 44m | × (520 – 220) – 87.2m | |
| | = $17 000 000 | = $16 000 000 | = $–12 200 000 | **1 each max 3** |
| **(iii)** | 300 000 × (500 – 400) – 8M | × (480 – 240) – 44m | × (520 – 220) – 87.2m | |
| | = $22 000 000 | = $28 000 000 | = $2 800 000 | **1 each max 3** |

**[9]**

**(d)** Extra fixed cost divided by (unit contribution on cabinet 2 less contribution on cabinet 1)

$$\frac{\overset{1}{36\,000\,000}}{(\underset{1}{480} - \underset{1}{240}) - (\underset{1}{500} - \underset{1}{400})} = 257\,143$$ **[5]**

**(e)** Unit selling price remains constant.
Unit variable costs remain constant.
Sales mix remains constant.
Total fixed costs do not change.
There are no semi-variable costs.
All production is sold.

Any **four** correct for **1** mark each. **[4]**

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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# MARK SCHEME for the May/June 2011 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/11** Paper 1 (Multiple Choice – Core), maximum raw mark 30

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| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **D** | 16 | **C** |
| 2 | **D** | 17 | **C** |
| 3 | **C** | 18 | **C** |
| 4 | **B** | 19 | **B** |
| 5 | **D** | 20 | **D** |
| 6 | **A** | 21 | **C** |
| 7 | **D** | 22 | **B** |
| 8 | **A** | 23 | **D** |
| 9 | **A** | 24 | **A** |
| 10 | **C** | 25 | **A** |
| 11 | **C** | 26 | **A** |
| 12 | **C** | 27 | **C** |
| 13 | **A** | 28 | **D** |
| 14 | **C** | 29 | **B** |
| 15 | **C** | 30 | **A** |

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# MARK SCHEME for the May/June 2011 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/12** Paper 1 (Multiple Choice – Core), maximum raw mark 30

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| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **D** | 16 | **C** |
| 2 | **A** | 17 | **C** |
| 3 | **D** | 18 | **B** |
| 4 | **A** | 19 | **D** |
| 5 | **A** | 20 | **C** |
| 6 | **C** | 21 | **C** |
| 7 | **C** | 22 | **A** |
| 8 | **C** | 23 | **A** |
| 9 | **C** | 24 | **A** |
| 10 | **D** | 25 | **C** |
| 11 | **D** | 26 | **D** |
| 12 | **C** | 27 | **B** |
| 13 | **B** | 28 | **A** |
| 14 | **A** | 29 | **B** |
| 15 | **C** | 30 | **D** |

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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# MARK SCHEME for the May/June 2011 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/13** Paper 1 (Multiple Choice – Core), maximum raw mark 30

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| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **A** | 16 | **C** |
| 2 | **D** | 17 | **C** |
| 3 | **D** | 18 | **C** |
| 4 | **C** | 19 | **C** |
| 5 | **B** | 20 | **B** |
| 6 | **D** | 21 | **D** |
| 7 | **A** | 22 | **C** |
| 8 | **D** | 23 | **B** |
| 9 | **A** | 24 | **D** |
| 10 | **A** | 25 | **A** |
| 11 | **C** | 26 | **A** |
| 12 | **C** | 27 | **D** |
| 13 | **C** | 28 | **C** |
| 14 | **A** | 29 | **A** |
| 15 | **C** | 30 | **B** |

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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# MARK SCHEME for the May/June 2011 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/21** Paper 2 (Structured Questions (Core)), maximum raw mark 90

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**1 (a)** Current accounts

| | Henry | Robin | | Henry | Robin |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| Balance b/d | 6 600 | – | Balance b/d | | 1 000 |
| | **1** | **1** | | **1** | **1** |
| Drawings | 12 000 | 8 000 | Interest on capital | 9 600 | 6 400 |
| | **1** | **1** | | **1** | **1** |
| Int drawings | 600 | 400 | Salary | 5 000 | 4 000 |
| | | | | **1** | **2** |
| | **1** | **2** | Share of profit | 15 000 | 10 000 |
| Balance c/d | 10 400 | 13 000 | | | |
| | $29 600 | $21 400 | | $29 600 | $21 400 |
| | | | Balances b/d | 10 400 | 13 000 |

[14]

**(b)** Net profit for the year

| | Henry | Robin | Total | |
|---|---|---|---|---|
| **ADD** | $ | $ | $ | |
| Share of profit | 15 000 | 10 000 | 25 000 | **2** |
| Salary | 5 000 | 4 000 | 9 000 | **2** |
| Interest on capital | 9 600 | 6 400 | 16 000 | **2** |
| **LESS** | | | | |
| Interest on drawings | 600 | 400 | –1 000 | **2** |
| Net profit | | | 49 000 | |



**OR**

**3** **3** **2**

OC + CC + DRAWINGS = $5 600 + 23 400 + 20 000 = $49 000 [8]

**(c)** The advantages are:

- More capital is available
- Different partners may have different skills that are beneficial to the business
- The management of the business can be shared
  - The business is more efficient
  - There are more ideas
  - The responsibility is shared, so less stress
- Losses can be shared

**2 marks for each valid comment.** [8]

**[Total: 30]**

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**2** **(a)** Café income statement (trading and profit and loss account) for the year ended 30 April 2011

| | $ | | $ | | |
|---|---|---|---|---|---|
| Revenue (sales) | | | 90 000 | **1** | |
| Cost of sales | | | | | |
| Inventory (1 May 2010) | 6 500 | **1** | | | |
| Purchases | 36 000 | **1** | | | |
| | 42 500 | | | | |
| Inventory (30 April 2011) | 4 800 | **1** | | | |
| | 37 700 | | | | |
| Add Direct wages (28 800 + 4000 – 500) | 32 300 | **2** | 70 000 | | |
| Gross profit | | | 20 000 | | |
| LESS | | | | | |
| Overheads | | | | | |
| Heating and lighting (40% × 18 000) | 7 200 | **1** | | | |
| Rent (40% × 21 000) | 8 400 | **1** | 15 600 | | |
| Profit for the year (net profit) | | | $4 400 | | [8] |

**(b)** Income and Expenditure account for the year ended 30 April 2011

| | $ | | $ | |
|---|---|---|---|---|
| Profit on café | 4 400 | **1OF** | | |
| Subscriptions | | | | |
| (34 000 – 2 200 + 3 600 + 5 000 – 3 500) | 36 900 | **5** | | |
| Donations | 450 | **1** | | |
| Ticket sales | 14 560 | **1** | 56 310 | |
| Rent (60% × 21 000) | 12 600 | **1** | | |
| Heating and lighting (60% × 18 000) | 10 800 | **1** | | |
| Depreciation of equipment | 10 400 | **2** | | |
| Interest on loan | 1 000 | **2** | 34 800 | |
| Surplus income/expenditure | | | $21 510 | [14] |

**(c)** Balance Sheet at 30 April 2011

| | $ | $ | $ | |
|---|---|---|---|---|
| Non-current (fixed) assets | Cost | Depreciation | NBV | |
| Equipment | 104 000 | 14 400 | 89 600 | **1** |
| Current Assets | | | | |
| Inventory | 4 800 | | | |
| Subscriptions in arrears | 3 600 | | | |
| Bank | 4 010 | | | |
| | | 12 410 **1** | | |
| Current liabilities | | | | |
| Subscriptions prepaid | 3 500 | | | |
| Loan interest | 1 000 | | | |
| Wages accrued | 4 000 | 8 500 **1** | | |
| Net current assets | | | 3 910 | |
| | | | 93 510 | |
| Non-current liabilities | | | | |
| Loan | | | 20 000 | **1** |
| Net assets | | | 73 510 | |
| Accumulated fund | | 52 000 **3** | | |
| ADD Surplus I/E | | 21 510 **1(OF)** | 73 510 | |



If accumulated fund shown as $73 510 award four marks.
Award 1 mark for every pair, where seen
Accumulated fund calculation

| | | | |
|---|---|---|---|
| Assets | | | |
| Equipment (40 000 – 4 000) | | 36 000 | **1** |
| Inventory | | 6 500 | |
| Bank | | 12 800 | |
| Subscriptions due | | 2 200 | |
| | | 57 500 | |
| Less liabilities | | | |
| Subscriptions paid in advance | 5 000 | | |
| Wages accrued | 500 | 5 500 | |
| | | 52 000 | |

[8]

**[Total: 30]**

| Page 5 | Mark Scheme: Teachers' version | Syllabus | Paper |
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| | GCE AS/A LEVEL – May/June 2011 | 9706 | 21 |

**(a)**

| | Ojo 1 $ | Ojo 2 $ | Ojo 3 $ | | |
|---|---|---|---|---|---|
| Sales price | 400 | 450 | 550 | **1** | |
| Variable costs | 300 | 380 | 486 | **1** | |
| Contribution | 100 | 70 | 64 | **1** | |
| Fixed overhead | 50 | 60 | 60 | **1** | |
| Profit per unit | 50 | 10 | 4 | **1** | [5] |

**(b)**

| | Ojo 1 $ | Ojo 2 $ | Ojo 3 $ | | |
|---|---|---|---|---|---|
| Revenue (sales) | 400 000 | 315 000 | 220 000 | **1** | |
| Variable costs | 300 000 | 266 000 | 194 400 | **1** | |
| Contribution | 100 000 | 49 000 | 25 600 | **1** | |
| Fixed overhead | 50 000 | 42 000 | 24 000 | **1** | |
| Total profit | 50 000 | 7 000 | 1 600 | **1** | [5] |

**OR**

| | Ojo 1 $ | Ojo 2 $ | Ojo 3 $ | | |
|---|---|---|---|---|---|
| Revenue (sales) | 400 | 450 | 550 | **1** | |
| Variable costs | 300 | 380 | 486 | **1** | |
| Contribution | 100 | 70 | 64 | **1** | |
| Sales in units | 1000 | 700 | 400 | | |
| Total contribution | 100 000 | 49 000 | 25 600 | | |
| Fixed overhead | 50 000 | 42 000 | 24 000 | **1** | |
| Total profit | 50 000 | 7 000 | 1 600 | **1** | [5] |



**(c)**

| | Ojo 1 | Ojo 2 | Ojo 3 | | |
|---|---|---|---|---|---|
| Fixed overhead | 50000 | 42000 | 24000 | 1 | |
| Cont per unit | 100 | 70 | 64 | 1 | |
| BEP | 500 | 600 | 375 | 1 | |
| Margin of safety | 500 | 100 | 25 | 1 | [4] |

**(d)** Statement of profit using marginal costing

| | February | March | April | |
|---|---|---|---|---|
| | $ | $ | $ | |
| Revenue (sales) | 21 000 | 28 000 | 31 500 | **1** |
| Opening inventory | 4 000 | 0 | 2 000 | **2** |
| Variable costs | 8 000 | 18 000 | 20 000 | **1** |
| | 12 000 | 18 000 | 22 000 | |
| Closing inventory | 0 | 2 000 | 4 000 | **2** |
| Variable COGS | 12 000 | 16 000 | 18 000 | |
| CONTRIBUTION | 9000 | 12 000 | 13 500 | **1** |
| Fixed costs | 4 000 | 4 000 | 4 000 | **1** |
| Profit | 5 000 | 8 000 | 9 500 | |

**ALTERNATIVE ANSWER**

Statement of profit using marginal costing

| | February | March | April | |
|---|---|---|---|---|
| | $ | $ | $ | |
| Selling price | 700 | 700 | 700 | |
| Less Marginal cost | 400 | 400 | 400 | |
| Contribution per unit | 300 | 300 | 300 | **1** |
| Units sold | 30 | 40 | 45 | |
| Total contribution | 9 000 | 12 000 | 13 500 | **3** |
| Less FC | 4 000 | 4 000 | 4 000 | **1** |
| Profit | 5 000 | 8 000 | 9 500 | **3** |

[8]

**(e)** Statement of profit using absorption costing

| | February | March | April | |
|---|---|---|---|---|
| | $ | $ | $ | |
| Revenue (sales) | 21 000 | 28 000 | 31 500 | |
| Opening inventory | 5 000 | 0 | 2 500 | **2** |
| Production costs | 10 000 | 22 500 | 25 000 | **1** |
| Goods available | 15 000 | 22 500 | 27 500 | |
| Closing inventory | 0 | 2 500 | 5 000 | **2** |
| Cost of Sales | 15 000 | 20 000 | 22 500 | |
| GROSS PROFIT | 6 000 | 8 000 | 9 000 | |
| Less overhead U/A | 2 000 | | | **1** |
| Add overhead O/A | | 500 | 1 000 | **2** |
| Profit for the month | 4 000 | 8 500 | 10 000 | |

**ALTERNATIVE ANSWER**

Statement of profit using absorption costing

| | February | March | April | |
|---|---|---|---|---|
| | $ | $ | $ | |
| Selling price | 700 | 700 | 700 | |
| Less Marginal cost | 500 | 500 | 500 | **1** |
| Gross profit per unit | 200 | 200 | 200 | **1** |
| Units sold | 30 | 40 | 45 | |
| Total gross profit | 6 000 | 8 000 | 9 000 | **3** |
| Less overhead U/A | 2 000 | | | **1** |
| Add overhead O/A | | 500 | 1 000 | **2** |
| Profit for the month | 4 000 | 8 500 | 10 000 | |

[8]



**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2011 question paper

# for the guidance of teachers

## 9706 ACOUNTING

**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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**1 (a) (i)** Purchases Ledger Control account

| | $ | | | $ | |
|---|---|---|---|---|---|
| Cash | 88 400 | **1** | Balance b/d | 16 600 | **1** |
| Discount received | 9 000 | **1** | Purchases (bal fig) | 95 600 | **1OF** |
| Balance c/d | 14 800 | **1** | | | |
| | 112 200 | | | 112 200 | |
| | | | Balance b/d | 14 800 | |

[5]

**(ii)** Sales Ledger Control account

| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance | 18 200 | **1** | Cash | 103 160 | **1** |
| Credit sales (bal fig) | 128 900 | **1OF** | Sales returns | 9 200 | **1** |
| | | | Discount allowed | 9 540 | **1** |
| | | | Bad debts | 8 200 | **1** |
| | | | Balance c/d | 17 000 | **1** |
| | 147 100 | | | 147 100 | |
| Balance b/d | 17 000 | | | | |

[7]



**(b)**

| | | | | |
|---|---|---|---|---|
| Opening inventory | | | 33 000 | **1** |
| Add: Purchases | | | 95 600 | **1OF** |
| Cost of goods available for sale | | | 128 600 | |
| Less: Cost of sales | | | | |
| Sales to staff (10 750 **1** × 100/125 **1**) | 8 600 | | | |
| Clearance sale at cost | 29 700 | **1** | | |
| Normal sales (128 900 **1** – 9 200 **1** – 29 700 **1**) | 60 000 | | | |
| **=** Credit sales (90 000 × 2/3) | | | | |
| (OR 85 933 – 6 133 – 19 800 = 60 000) | | | | |
| TOTAL COST OF SALES | | | 98 300 | |
| Closing inventory | | | 30 300 | **1** |
| Actual closing inventory | | | 20 600 | **1** |
| Cost of goods destroyed in fire | | | 9 700 | **1OF** |

[11]

**(c)** Income statement (trading account) for the year ended 30 April 2011

| | $ | | $ |
|---|---|---|---|
| Revenue (sales) on credit | 128 900 | **1OF** | |
| Staff sales | 10 750 | **1** | |
| | 139 650 | | |
| Less sales returns | 9 200 | **1** | 130 450 |
| Less Cost of Sales | | | |
| Opening inventory | 33 000 | **1** | |
| Purchases | 95 600 | **1OF** | |
| | 128 600 | | |
| Less stock lost in fire | 9 700 | **1OF from (b)** | |
| Goods available for sale | 118 900 | | |
| Less closing inventory | 20 600 | **1** | 98 300 |
| GROSS PROFIT | | | 32 150 |

[7]

**[Total: 30]**

**2 (a) (i)**

| | $000 | | $000 | |
|---|---|---|---|---|
| Opening inventory | 28 | **1** | | |
| Purchases (240 + 100) | 340 | | | |
| **1 1** | 368 | | | |
| Closing inventory | 40 | | | |
| Cost of goods sold | | | 328 | **OF1** |

[4]

**(ii)**

| | $000 | |
|---|---|---|
| Sales | 480 | |
| LESS cost of goods sold | 328 | |
| Gross profit | 152 | |
| Less expenses | 120 | **1** |
| Profit for the year (net profit) | 32 | **1OF** |

[2]

**(b) For (b) award 1 for numerator and 1 for denominator, all own figures From (a) (i) and (ii) OR 2 for correct answer**

**(i)** Mark up = $\frac{GP \times 100}{COGS} = \frac{152 \times 100}{328} = 46.34\%$

**(ii)** GP %age = $\frac{GP \times 100}{Turnover} = \frac{152 \times 100}{480} = 31.67\%$

**(iii)** Exp/sales = $\frac{Exp \times 100}{Turnover} = \frac{120 \times 100}{480} = 25\%$

**(iv)** NP %age = $\dfrac{NP \times 100}{\text{Turnover}} = \dfrac{32 \times 100}{480} = 6.67\%$

**(v)** ROCE $\dfrac{NP \times 100}{\text{CAP EMP}} = \dfrac{32 \times 100}{220} = 14.54\%$

**(vi)** ROIT = $\dfrac{\text{COGS}}{\text{Average inventory}} = \dfrac{328}{(40 + 28)/2} = 9.65$ times

**(vii)** Liquid ratio = $\dfrac{\text{CA} - \text{inventory}}{\text{CL}} = \dfrac{78}{78} = 1{:}1$ [14]

**(c)**

| | | **Southern** | **Northern** |
|---|---|---|---|
| 1 | Mark-up | 40% | 46.34% |
| 2 | Gross profit percentage | 28.57% | 31.67% |
| 3 | Expenses to sales | 20% | 25% |
| 4 | Net Profit percentage | 8.57% | 6.67% |
| 5 | Return on capital employed | 18.00% | 14.54% |

**One mark each for better or worse (poorer) than – maximum 5 marks**

1. Northern has a better mark up.
2. Consequently a better gross profit percentage.
3. Expenses to sales is worse for Northern.
4. Net profit percentage for Northern is poorer.
5. Northern's ROCE is poorer.



Must be clear that one is better than the other – do not accept higher, lower, greater, lesser, more, less.

Some candidates have treated the comparisons as if they were for the same business over 2 years – do not accept.

**One mark each for each valid comment – maximum 5**

Sales price is higher – higher mark up.

Administration and advertising costs are higher to sell a higher priced product.

Northern has a better GP percentage but the higher expenses incurred pull down the net profit advantage below Southern and contribute to a poorer ROCE.

The ROCE is poorer because Northern may have more non-current assets employed.

Any valid comment is acceptable provided it justifies the "better or worse" statement. A maximum of 1 mark for each statement and 1 mark for an attached comment. [10]

**[Total: 30]**

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**3 (a) (i)**

| | P | T | O | | |
|---|---|---|---|---|---|
| | $ | $ | $ | | |
| Sales price | 61 | 158 | 170 | | |
| Variable costs | 51 | 118 | 120 | | |
| Contribution | 10 | 40 | 50 | | |
| | **1** | **1** | **1** | | [3] |

**(ii)**

| | P | T | O | | |
|---|---|---|---|---|---|
| | $ | $ | $ | | |
| Fixed cost per unit | 15 | 30 | 40 | | |
| Number of units | 2 000 | 1 600 | 1 000 | | |
| | 30 000 | 48 000 | 40 000 | **1 all 3** | |
| Total fixed cost = $118 000 | | | | **1** | [2] |

**(iii)**

| | P | T | O | | |
|---|---|---|---|---|---|
| | $ | $ | $ | | |
| | 30 000/10 | 48 000/40 | 40 000/50 | | |
| **Units are OF using candidate's answer to (a) (i)** | | | | | |
| BEP (units) | 3 000 | 1 200 | 800 | **3OF** | |
| **Dollar OF = units × SP** | | | | | |
| Dollars | 183 000 | 189 600 | 136 000 | **3OF** | [6] |



**(b)**

| | P | T | O | | |
|---|---|---|---|---|---|
| | $ | $ | $ | | |
| Output | 2 000 | 1 600 | 1 000 | | |
| BEP **(from (a) (iii))** | 3 000 | 1 200 | 800 | | |
| | (1 000) | 400 | 200 | **3OF** | |
| | x | x | x | | |
| Contribution per unit | 10 | 40 | 50 | **3OF** | |
| Profit (loss) | (10 000) | 16 000 | 10 000 | **3OF** | [9] |

**OR**

| | P | T | O | | |
|---|---|---|---|---|---|
| Total contribution | 20 000 | 64 000 | 50 000 | **3OF** | |
| **(based on unit contribution)** | | | | | |
| Less Fixed costs | 30 000 | 48 000 | 40 000 | **3OF** | |
| P/(L) | (10 000) | 16 000 | 10 000 | **3OF** | [9] |

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**(c)** TOTAL FIXED COSTS WERE $118000

| | T | | O | TOTAL | | |
|---|---|---|---|---|---|---|
| | $ | | $ | | | |
| | **1** | | **1** | | | |
| Output | 2 400 | | 1 500 | | | |
| | **1** | | **1** | | | |
| Contribution | 40 | | 50 | | | |
| TOTAL CONTRIBUTION | 96 000 | | 75 000 | 171 000 | | |
| LESS Fixed costs | 118 000 | **1** | | | | |
| Add 25% | <u>29 500</u> | **2** | | <u>147 500</u> | | |
| TOTAL PROFIT | | | | 23 500 | **1** | |
| Old profit | | | | <u>16 000</u> | **1** | |
| <u>Increase in profit</u> | | | | 7 500 | **1OF** | [10] |

**Alternative correct calculation for contribution**

| | | |
|---|---|---|
| Sales | <u>379 200</u> | <u>255 000</u> |
| Direct materials | 144 000 | 120 000 |
| Direct labour | 110 400 | 36 000 |
| Variable overheads | <u>28 800</u> | <u>24 000</u> |
| | <u>283 200</u> | <u>180 000</u> |
| Total contribution | 96 000 | 75 000 |



**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2011 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/23** Paper 2 (Structured Questions – Core), maximum raw mark 90

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| | GCE AS/A LEVEL – May/June 2011 | 9706 | 23 |

**1 (a)**

| | $ | | $ | |
|---|---|---|---|---|
| Net profit | | | 80 000 | **1** |
| LESS | | | | |
| 1 Inventory | 7 000 | **2** | | |
| 2 Interest | 8 000 | **1** | | |
| 3 Depreciation | 27 000 | **1** | | |
| 4 Repairs | 10 000 | **1** | | |
| 5 Bad debts | 3 600 | **1** | 55 600 | |
| | | | 24 400 | |
| ADD | | | | |
| 4 Depreciation | | | 1 000 | **2** |
| CORRECTED NET PROFIT | | | 25 400 | |

[9]

**(b)** Corrected balance sheet at 30 April 2011

| | $ | | $ | $ | |
|---|---|---|---|---|---|
| Non-current assets | | | | | |
| Buildings at valuation | | | | 300 000 | |
| Equipment (54000 – 27000) | | | | 513 000 | **1** |
| Motor vehicles (330000 – 10000 + 1000) | | | | 321 000 | **2** |
| | | | | 1 134 000 | |
| Current Assets | | | | | |
| Inventory (70000 – 7000) | 63 000 | **1** | | | |
| Trade receivables (19000 – 3600) | 15 400 | **1** | | | |
| Other receivables | 2 000 | | | | |
| Cash and cash equivalents | 4 000 | | 84 400 | | |
| Current liabilities | | | | | |
| Trade payables | 57 000 | | | | |
| Other payables (3000 + 8000) | 11 000 | **1** | 68 000 | | |
| Net current assets | | | | 16 400 | |
| | | | | 1 150 400 | |
| Non-current liabilities | | | | | |
| Loan | | | | 200 000 | |
| Net assets | | | | 950 400 | |
| Financed by: | | | | | |
| Capital at start | | | | 1 000 000 | |
| Add Profit for the year (Net profit) | | | | 25 400 | **1 (OF)** |
| | | | | 1 025 400 | |
| Less drawings | | | | 75 000 | |
| Capital at end | | | | 950 400 | |

[7]

| Page 3 | Mark Scheme: Teachers' version | Syllabus | Paper |
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**(c)** **(i)** The cost comprises the cost of purchase plus other costs incurred in bringing the inventory to its present location and condition.
Net realisable value is the estimated selling price less estimated selling costs

**(ii)** Inventory should never be valued at more than cost.
Valuing stock at cost observes the principles of realisation, matching and prudence.

**Any 2 relevant points for 2 marks each** [4]

**(d)** **(i)** Current ratio = 84 400: 68 000 1.24:1 **2(OF)**

**(ii)** Liquid ratio (acid test) = 21 400 : 68 000 0.31:1 **2(OF)** [4]

**(e)** Injection of cash/additional capital
Long term loan
Sales of **surplus** non-current assets
Reduction in drawings
Factor debt
Effective inventory management to reduce damage to inventory

**Any four suitable points for 1 mark each** [4]

**(f)** Inventory is regarded as the least liquid asset
A buyer has to be found
Some goods may prove to be unsaleable
The quick ratio shows if the business would have any surplus liquid funds if all the current liabilities were paid immediately



**Any two suitable points 1 mark each** [2]

**[Total: 30]**

2 **(a)** Income statement for the year ended 30 April 2011

| | $ | | $ | | |
|---|---|---|---|---|---|
| Revenue | | | 240 000 | | |
| LESS | | | | | |
| Inventory (1/5/2010) | 17 000 | **3** | | | |
| Purchases | <u>148 000</u> | **1** | | | |
| | 165 000 | | | | |
| Inventory (30/4/2011) | <u>9 000</u> | | <u>156 000</u> | | |
| Gross profit | | | 84 000 | **2** | |
| Expenses | | | <u>36 000</u> | **1** | |
| Net profit | | | 48 000 | | [7] |

| Page 4 | Mark Scheme: Teachers' version | Syllabus | Paper |
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| | GCE AS/A LEVEL – May/June 2011 | 9706 | 23 |

**(b)** Appropriation account for the year ended 30 April 2011

| | $ | | $ | |
|---|---|---|---|---|
| Net profit | | | 48 000 | |
| Add interest on drawings | | | | |
| Robbie (18 000 × 8%) | 1 440 | **2** | | |
| Liza (12 000 × 8%) | 960 | **2** | 2 400 | |
| | | | 50 400 | |
| Less interest on capital | | | | |
| Robbie (90 000 × 5%) | 4 500 | **1** | | |
| Liza (60 000 × 5%) | 3 000 | **1** | | |
| | | | (7 500) | |
| | | | 42 900 | |
| Less Salary – Liza | | | (15 000) | **1** |
| | | | 27 900 | |
| Share of profit | | | | |
| Robbie (3/5 × $27 900) | 16 740 | **1(OF)** | | |
| Liza (2/5 × $27 900) | 11 160 | **1(OF)** | | |
| | | | 27 900 | |

[9]

**(c)** **(i)** Cash book



| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance | 12 000 | **1** | Bank charges | 250 | **1** |
| | | | Dishonoured cheque | 600 | **1** |
| | | | Corrected CB balance | 11 150 | **1** |
| | 12 000 | | | 12 000 | |

**(ii)** Bank reconciliation statement at 30 April 2011

| | $ | |
|---|---|---|
| Bank statement balance | 9 000 | **1** |
| Less cheques not yet presented | (1 600) | **1** |
| Add cheques lodged not yet credited | 3 750 | **1** |
| Cash book balance | 11 150 | **1** |

**OR REVERSED** (CB bal 1 150 – 3 750 + 1 600 = 9 000) [8]

| Page 5 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2011 | 9706 | 23 |

**(d) Two marks for valid explanation to a maximum of 6 marks**

Standard practice to enter the following in the cash book after receipt of the bank statement:
- Direct debits
- Standing orders
- Bank charges
- Interest on overdrafts
- Cheques dishonoured

Timing differences
- Money lodged with the bank near the end of the month
- Cheques paid but not yet presented for payment
- Cheques received but not yet credited by the bank
- Errors in recording by the bank and/or the business [6]

**[Total: 30]**

| | | | | | | |
|---|---|---|---|---|---|---|
| **3** | **(a)** | **(i)** | (400 hours × 6) × 80% = | 1,920 cars | **2** | |
| | | **(ii)** | $(1.00 + 0.50 + 0.05 + 1.25) = $2.80 × 1,920 cars = | $5 376 | **2** | |
| | | **(iii)** | (Variable costs 5376 + Fixed costs 3840) = | $9 216 | **2** | |
| | | **(iv)** | $9216 / 1920 cars = | $4.80 per car | **2** | |
| | | **(v)** | Price per car = $(4.80 + 25%) | $6.00 | **2** | |
| | | **(vi)** | (6 × 1920) = 11 520 – 9216 | $2 304 | **2** | [12] |
| | **(b)** | **(i)** | SP – VC = $(6.00 – 2.80) = $3.20 per car wash | | **2** | |
| | | **(ii)** | BEP = $3840 / $3.20 = 1200 cars | | **2** | |
| | | **(iii)** | In dollars = (1920 – 1200) = 720 cars × $6 = $4320 | | **2OF** | |
| | | **(iv)** | In cars = 1440 cars less 1200 cars = 240 × $6 = $1440 | | **2OF** | |
| | | **(v)** | $(3.20 / 6.00) × 100 = 53.33% | | **2OF** | [10] |

**(c) (i)** BEP = FC/c = \$3240 / 2.40 = 1350 cars **2**
BEP in dollars = 1350 cars × \$6 = \$8100 **2** [4]

**(ii)** (400 hours × \$6) × 70% = $\frac{2400 \times 70}{100}$ = 1 680 cars **1**

Profit = Actual – Break-even
(1680 – 1350) = 330 × c
= 330 **1** × \$2.40 **1** = \$792 **1** [4]

**ALTERNATIVE**

| | | $ |
|---|---|---|
| Sales | | 10 080 |
| VC | 6048 | |
| FC | 3240 | 9288 |
| PROFIT | | 792 |

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2012 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/11** Paper 1 (Multiple Choice – Core), maximum raw mark 30

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|---|---|---|---|
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| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **A** | 16 | **A** |
| 2 | **B** | 17 | **C** |
| 3 | **D** | 18 | **A** |
| 4 | **D** | 19 | **C** |
| 5 | **B** | 20 | **B** |
| 6 | **A** | 21 | **B** |
| 7 | **D** | 22 | **A** |
| 8 | **B** | 23 | **C** |
| 9 | **C** | 24 | **A** |
| 10 | **D** | 25 | **D** |
| 11 | **D** | 26 | **B** |
| 12 | **B** | 27 | **C** |
| 13 | **B** | 28 | **D** |
| 14 | **C** | 29 | **A** |
| 15 | **C** | 30 | **D** |

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

# MARK SCHEME for the May/June 2012 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/12** Paper 1 (Multiple Choice – Core), maximum raw mark 30

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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| | GCE AS/A LEVEL – May/June 2012 | 9706 | 12 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **B** | 16 | **C** |
| 2 | **D** | 17 | **A** |
| 3 | **B** | 18 | **D** |
| 4 | **D** | 19 | **D** |
| 5 | **A** | 20 | **C** |
| 6 | **B** | 21 | **C** |
| 7 | **A** | 22 | **B** |
| 8 | **D** | 23 | **A** |
| 9 | **B** | 24 | **C** |
| 10 | **C** | 25 | **A** |
| 11 | **C** | 26 | **D** |
| 12 | **A** | 27 | **C** |
| 13 | **D** | 28 | **B** |
| 14 | **B** | 29 | **D** |
| 15 | **C** | 30 | **D** |

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2012 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/13** Paper 1 (Multiple Choice – Core), maximum raw mark 30

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| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **C** | 16 | **B** |
| 2 | **C** | 17 | **A** |
| 3 | **A** | 18 | **C** |
| 4 | **D** | 19 | **A** |
| 5 | **D** | 20 | **C** |
| 6 | **B** | 21 | **B** |
| 7 | **B** | 22 | **B** |
| 8 | **B** | 23 | **C** |
| 9 | **A** | 24 | **D** |
| 10 | **D** | 25 | **C** |
| 11 | **D** | 26 | **D** |
| 12 | **D** | 27 | **B** |
| 13 | **B** | 28 | **C** |
| 14 | **C** | 29 | **A** |
| 15 | **C** | 30 | **A** |

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2012 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/21** Paper 2 (Structured Questions – Core), maximum raw mark 90

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1 (a) **Departmental income statement for the year ended 30 April 2012.**

| | Food | | Clothing | | Toys | | |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | |
| Sales | | 250 000 | | 150 000 | | 100 000 | |
| Cost of sales | | | | | | | |
| Inventory (1/5/11) | 10 000 | | 12 000 | | 31 000 | | |
| Purchases | 67 000 | | 50 000 | | 57 000 | | |
| | 77 000 | | 62 000 | | 88 000 | | |
| Inventory (30/4/12) | 17 000 | 60 000 | 12 000 | 50 000 | 43 000 | 45 000 | **3** |
| Gross profit | | 190 000 | | 100 000 | | 55 000 | |
| Overheads | | | | | | | |
| Wages | 40 000 | | 24 000 | | 16 000 | | **3** |
| Advertising | 5 000 | | 3 000 | | 2 000 | | **3** |
| Heat and light | 12 000 | | 6 000 | | 6 000 | | **3** |
| Insurance | 2 500 | | 1 250 | | 1 250 | | **3** |
| Dep – F & F | 6 000 | 65 500 | 3 000 | 37 250 | 3 000 | 28 250 | **3** |
| Net Profit | | 124 500 | | 62 750 | | 26 750 | |

[18]

(b)
- To aid management decision making.
- To measure the efficiency (control of costs) and effectiveness sales income, and to compare one department profitability by using ratios like GP percentage, ROST, etc.
- Helps to compare performance with similar industrial sectors.
- Useful for motivation through target setting.

**Any 3 valid points to a maximum of 6 marks.** [6]

(c) **(i)** Cost is expenditure incurred in the normal course of business to bring the product to its present location and condition and includes import duties, transport and handling costs less trade discounts.

**(ii)** NRV is the actual or estimated selling price (less trade discount) but before cash discount less all further conversion costs and costs incurred in marketing, selling and delivering the goods to the customer.

**1 mark per valid point to a max of 2 x 3** [6]

**[Total: 30]**

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**2 (a) Estimated profit and loss appropriation account for year ended 30 April 2013.**

| | | $ | | $ | | |
|---|---|---|---|---|---|---|
| Net profit for the year | | | | 121 000 | | |
| Add | | | | | | |
| Interest on drawings | J | 500 | 1 | | | |
| | K | 500 | 1 | | | |
| | M | 275 | 1 | 1 275 | | |
| Less Interest on capital | | | | 122 275 | | |
| | J | 4 230 | | | 1 | |
| | K | 2 820 | | | 1 | |
| | M | 1 500 | | (8 550) | 1 | |
| Less salary | | | | (11 000) | 1 | |
| | | | | 102 725 | | |
| Share of profit | J | 55 471.50 | | | 1 | |
| | K | 36 981.00 | | | 1 | |
| | M | 10 272.50 | | 102 725 | 2 | [11] |

**(b) Estimated current account – Maura**

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Drawings | 5 500.00 | 1 | | | | |
| Interest on drawings | 275.00 | 1 | Share of profit | 10 272.50 | 1 | |
| Balance c/d | 16 997.50 | | Salary | 11 000.00 | 1 | |
| | | | Interest on capital | 1 500.00 | 1 | |
| | 22 772.50 | | | 22 772.50 | | [5] |



**(c)**

| | | |
|---|---|---|
| Current salary | 16 500.00 | 1 |
| Investment income | 2 500.00 | 1 |
| | $ 19 000.00 | |
| Estimated income | | |
| Total earnings | | |
| Est partnership income | $ 22 497.50 | 1 |
| Increase in income | 3 497.50 | 1 |

In monetary terms it is worth accepting the offer of a partnership **2** [6]

**(d)** Higher sales price with cost of sales staying same or rising less than sales price.

Lower cost of sales with sales price staying same or falling less than cost of sales.

More efficient use of stock with less spoilage, wastage and theft.

NOTE: increase in sales volume is incorrect.

**1 mark per point, one for development to maximum of 4** [4]

**(e)** Lower overhead costs such as rent, rates, heat and light.

Increased efficiency (lower costs)

Higher gross profit margin with overheads remaining the same or less than percentage increase in GP to sales.

**1 mark per point, one for development to maximum of 4** [4]

**[Total: 30]**



**3 (a) (i)**

| | Beach | Explorer | Family | |
|---|---|---|---|---|
| | $ | $ | $ | |
| Sales price | 70 | 130 | 200 | **1** |
| Variable costs | | | | |
| Raw materials | 30 | 36 | 54 | |
| Direct labour | 8 | 20 | 38 | |
| Variable overhead | 6 | 26 | 48 | |
| | 44 | 82 | 140 | **1** |
| Contribution | 26 | 48 | 60 | |
| | **1** | **1** | **1** | |

[5]

**(ii)**

| | $ | | $ | | $ | |
|---|---|---|---|---|---|---|
| Unit contribution | 26 | | 48 | | 60 | |
| Forecast demand | 30 000 | | 40 000 | | 24 000 | |
| Contribution | 780 000 | **1** | 1 920 000 | **1** | 1 440 000 | **1** |
| | | | | | | |
| Total Contribution | 4 140 000 | | | | | |
| Less FC | 3 500 000 | | **1** | | | |
| Total profit | 640 000 | | **1** | | | |

[5]

**(b)**

| | $ | $ | $ | |
|---|---|---|---|---|
| Contribution | 26 | 48 | 60 | **1** |
| Raw material (square metres) | 5 | 6 | 9 | **1** |
| Contribution per square metre | 5.20 | 8 | 6.67 | **1** |

[3]

**(c)**

| | | | | | |
|---|---|---|---|---|---|
| Order of priority | 3 | 1 | 2 | | |
| | B | E | F | | |
| Units | | | 40 000 | 24 000 | **2** |
| Square metres | | | 6 | 9 | |
| Total | | | 240 000 | 216 000 | **2** |
| Material available | | = | 546 000 | Square metres | |
| Less used in E and F | | | 456 000 | | |
| Available for B | | | 90 000 | Square metres | **1** |
| Amount of B that can be produced | | = | 90 000/5 | =18 000 units | |
| | | B | E | F | |
| Output | 18 000 **2** | | 40 000 | 24 000 | |

[7]

**(d)**

| | B | E | F | Total |
|---|---|---|---|---|
| Units produced | 18 000 | 40 000 | 24 000 | |
| Unit contribution | 26 | 48 | 60 | |
| Total contribution | 468 000 | 1 920 000 | 1440 000 | 3 828 000 **3** |
| | | | **1** | **1** |
| Profit = contribution – fixed costs = $3 828 000 – 3 500 000 = $328 000 | | | | |



[5]

**(e)**

If at least 27 000 of Beach Tent to be produced, need 9000 units x 5 sqm for B, i.e. 45 000 sq metres, reducing F's output by 45000/9 = 5000 units

| | B | E | F | Total |
|---|---|---|---|---|
| Units produced | 27 000 | 40 000 | 19 000 | |
| Unit contribution | 26 | 48 | 60 | **3** |
| Total contribution | 702 000 | 1 920 000 | 1 140 000 | 3 762 000 |
| | | | | |
| | | | **1** | **1** |
| | | | | |
| Profit = contribution – fixed costs = $3 762 000 – 3 500 000 = $262 000 | | | | |

[5]

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2012 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/22** Paper 2 (Structured Questions – Core), maximum raw mark 90

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1 (a) **Manufacturing Account for the year ended 30 April 2012**

| | $ | | $ | | |
|---|---|---|---|---|---|
| Raw Materials | | | | | |
| Inventory (1.05.11) | | | 20 000 | 1 | |
| Add Purchases of raw materials | 238 000 | 1 | | | |
| Less Purchase returns | 10 000 | 1 | 228 000 | | |
| | | | 248 000 | | |
| Less Inventory (30.04.12) | | | 56 000 | 1 | |
| Cost of raw materials consumed | | | 192 000 | 1 | |
| | | | | | |
| Direct costs | | | | | |
| Manufacturing wages | | | 265 000 | 1 | |
| Prime cost | | | 457 000 | 1 | |
| | | | | | |
| Factory Overhead | | | | | |
| Indirect factory wages (46 + 5) | 51 000 | 2 | | | |
| Insurance (14 – 7) × 70% | 4 900 | 2 | | | |
| General expenses | 6 000 | | | | |
| Factory supervision salaries | 15 000 | 1 | | | |
| Heat and light 6 000 × 80% | 4 800 | 2 | | | |
| Depreciation (260 – 60) × 20% | 40 000 | 2 | 121 700 | | |
| | | | 578 700 | | |
| Work-in-progress | | | | | |
| Add inventory (1.05.11) | 52 000 | 1 | | | |
| Less inventory (30.4.12) | 58 000 | 1 | (6 000) | | |
| | | | | | |
| Factory cost of production | | 1OF | 572 700 | | [19] |



If Depreciation on Factory Premises, $120 000 is included, ignore it. Factory cost of production will now be $692 700 if all else is correct.

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

| | | | | | |
|---|---|---|---|---|---|
| Sales | | | 799 000 | | |
| Less Cost of Sales | | | | | |
| Inventory of finished goods (1.05.11) | 78 000 | | | | |
| Transfer value of finished goods | 572 700 | | | 1OF | |
| | 650 700 | | | | |
| Less inventory of finished goods (30.04.12) | 72 000 | | 578 700 | | |
| Gross profit | | | 220 300 | 1OF | |
| | | | | | |
| Decrease in provision DD | | | 800 | 1 | |
| | | | 221 100 | | |
| | | | | | |
| Insurance | 2 100 | 1 | | | |
| Heat and light | 1 200 | 1 | | | |
| Admin expenses | 33 000 | | | | |
| Office salaries | 55 000 | 1 | | | |
| Depreciation | 20 800 | 1 | | | |
| | | | 112 100 | | |
| Net profit | | | 109 000 | 1OF | [8] |

**(c)** Examples

1 Value of opening and closing inventory at lower of cost or net realisable value.

2 Depreciation of non-current assets charges the estimated amount of the asset consumed against profit.

3 Any other valid point, provision for depreciation, accruals/prepayments.

**One mark per valid point.**
**Not** provision for unrealised profit – must apply to Bart's accounts. [3]

**[Total: 30]**

**2 (a)**

| Sales | Net profit | | | | |
|---|---|---|---|---|---|
| 200 000 | 12 000 | | | | |
| 400 000 | 32 000 | | | | |
| 500 000 | 40 000 | | | | |
| 860 000 | 86 000 | | | | |
| Net profit | 170 000 **1** | | | | |
| | | Average | 42 500 **1** | | |
| | | Two years | 85 000 **1** | | [3] |

**(b)** **Capital accounts**



| | M | A | | M | A |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| | **2** | **2** | | **1** | |
| Goodwill | 51 000 | 34 000 | Balance b/d | 442 000 | |
| | **1OF** | **1OF** | | **1** | |
| Balance c/d | 476 000 | 286 000 | Goodwill | 85 000 | |
| | | | Bank | | 200 000 **1** |
| | | | Vehicles | | 94 000 **1** |
| | | | Inventory | | 26 000 **1** |
| | 527 000 | 320 000 | | 527 000 | 320 000 |
| | | | Balances b/d | 476 000 | 286 000 [11] |

If Mhairi's Goodwill is combined and a net figure of $34 000 shown on credit side, award 3 marks.

**(c)** **Statement of Financial Position (Balance Sheet) at 1 May 2012**

| | $ | $ | |
|---|---|---|---|
| Non-current assets | | | |
| Equipment | | 232 000 | |
| Fixtures | | 160 000 | |
| Vehicles | | 94 000 | |
| | | 486 000 | **2** |
| Current Assets | | | |
| Inventory (86 + 26) | 112 000 | | **2** |
| Trade receivables | 16 000 | | |
| Bank (200 – 14) | 186 000 | | **2** |
| | 314 000 | | |
| Current liabilities | | | |
| Trade payables | 38 000 | | |
| Net current assets | | 276 000 | |
| Net assets | | 762 000 | |
| Capital | | | |
| Mhairi | | 476 000 | **1OF** |
| Aiden | | 286 000 | **1OF** |
| | | 762 000 | |

[8]

**(d)** The advantages are:

- More capital is available;
- Different partners may have different skills that are beneficial to the business;
- The management of the business can be shared;
  - The business is more efficient
  - There are more ideas
  - The responsibility is shared, so less stress
- Losses can be shared;
- Liquidity is improved.



**Two marks per valid point to maximum of 8**. [8]

**[Total: 30]**

**3** **(a)**

| Cost | Basis | | Machining | | Assembly | | Maintenance | Canteen |
|---|---|---|---|---|---|---|---|---|
| Indirect wages | Number of employees | **1** | 742 000 | | 1 102 400 | | 169 600 | 106 000 |
| Repairs and maintenance | Direct machine hours | **1** | 369 000 | | 41 000 | | | |
| Rent and rates | Floor area | **1** | 23 850 | | 21 200 | | 5 300 | 2 650 |
| Machinery insurance | Machine cost | **1** | 15 600 | | 8 400 | | | |
| Premises insurance | Floor area | | 12 600 | **1** | 11 200 | | 2 800 | 1 400 |
| Electricity – power | Power usage (%) | | 26 400 | **1** | 16 800 | | 2 400 | 2 400 |
| Depreciation of machinery | Machine cost | | 9 100 | **1** | 4 900 | | | |
| Consumables | Consumables $ | | 9 550 | **1** | 9 800 | | 550 | 1 250 |
| Reapportion | Canteen | | 39 795 | **1** | 68 220 | **1** | 5 685 | (113 700) |
| Maintenance | | | 149 068 | **1** | 37 267 | **1** | (186 335) | |
| | | | 1 396 963 | | 1 321 187 | | | |

[12]

**(b)** Overhead rate

| | Machining | | Assembly | |
|---|---|---|---|---|
| | $\frac{1\,396\,963}{202\,500}$ | **1** | $\frac{1\,321\,187}{314\,500}$ | **1** |
| | $6.89858 DMH | **1OF** | $4.20091 DLH | **1OF** |

[4]



Accept correct to 2 decimal places $6.90 and $4.20.

**(c)**

| | Machining | | Assembly | |
|---|---|---|---|---|
| Actual overhead | 1 410 000 | | 1 312 000 | |
| Absorbed overhead | 1 345 500 | | 1 335 600 | |
| | 64 500 | **1OF** | 23 600 | **1OF** |
| | under absorbed | **1OF** | over absorbed | **1OF** |

[4]

Accept approximations depending on use of decimal places in answers to **(b)**, around 64 777 and 23 889

**(d)** The machine department has not worked the planned hours. **1OF**
Its actual overheads were greater than the budgeted therefore increasing overall costs. **1OF**

The assembly department has worked more than the planned hours. **1OF**
Its actual overheads were less than the budgeted therefore saving on overall costs. **1OF**

**Maximum of 2 marks for each department.** [4]

**(e)** Use of estimated data which could be inaccurate, leading to under/over absorption.

Over–absorption, too much overhead charged to production, overpriced and uncompetitive, fall in demand and subsequent loss of revenue/reduction in profit.

Under–absorption, insufficient overhead charged to production, lower price to customer, costs not covered and subsequent reduction in profits.

**(2 × 3 mark)** [6]

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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# MARK SCHEME for the May/June 2012 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/23** Paper 2 (Structured Questions – Core), maximum raw mark 90

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1 (a) (i) Revenue
(203 200 – 22 400 **1** + 28 600 **1** + 4 000 **1** + 18 510 **1** ) = $231 910 [4]

(ii) Ordinary goods purchased
(122 460 – 17 500 **1** + 19 470 **1** + 3 100 **1** – 3 700 **1** ) = $123 830 [4]

(b)

**Shaun**
**Income Statement for the year ended 31 December 2011**

| | $ | $ | $ |
|---|---|---|---|
| Income/Sales | | | 231 910 |
| Opening inventory | 22 300 **1** | | |
| Ordinary goods purchased | 123 830 | | |
| | | 146 130 | |
| Less Closing inventory | | 17 400 **1** | |
| Cost of sales | | | 128 730 |
| Gross Profit | | | 103 180 |
| Additional Income | | | |
| Rent received | | 18 900 **1** | |
| Discounts received | | 3 100 **1** | 22 000 |
| | | | 125 180 |
| Expenses | | | |
| General expenses | | 21 540 **1** | |
| Wages | | 30 660 **1** | |
| Discounts allowed | | 4 000 **1** | |
| Depreciation equipment | | 18 200 **1** | |
| Depreciation motor vehicles | | 16 000 **1** | |
| Provision for doubtful debts | | 572 **1** | |
| | | | 90 972 |
| Profit for the year | | | 34 208 |

[10]

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(c)

**Shaun**
**Statement of Financial Position at 31 December 2011**

| | $ | | $ | | $ | |
|---|---|---|---|---|---|---|
| Non-Current (Fixed) Assets | | | | | | |
| Premises | | | | | 100 000 | |
| Equipment | | | | | 27 600 | |
| Motor vehicles | | | | | 68 200 | |
| | | | | | 195 800 | 1 |
| Current Assets | | | | | | |
| Inventory | | | 17 400 | 1 | | |
| Trade receivables | | | 28 028 | 1 | | |
| General expenses | | | 900 | 1 | | |
| Rent receivable | | | 1 300 | 1 | | |
| | | | 47 628 | | | |
| Current Liabilities | | | | | | |
| Trade payables | 19 470 | 1 | | | | |
| Wages | 500 | 1 | | | | |
| Bank overdraft | 8 290 | 1 | | | | |
| | | | 28 260 | | | |
| Net current assets/working capital | | | | | 19 368 | |
| | | | | | 215 168 | |
| Financed by | | | | | | |
| Capital | | | | | 212 880 | 2 of |
| Profit for the year | | | | | 34 208 | 1 of |
| | | | | | 247 088 | |
| Drawings | | | | | 31 920 | 1 |
| | | | | | 215 168 | [12] |



**[Total: 30]**

2 (a) (i)

| | 2010 | | 2011 | | |
|---|---|---|---|---|---|
| Motor vehicles | | | | | |
| MV1 | 5 200 | | 5 200 | | |
| MV2 | 1 800 | | 3 600 | | |
| MV3 | | | 3 600 | | |
| | 7000 | 2 | 12 400 | 1 | [3] |

(ii)

| | 2010 | | 2011 | | |
|---|---|---|---|---|---|
| Equipment | | | | | |
| EQ1 | 4 500 | | 4 500 | | |
| EQ2 | | | 6 600 | | |
| | 4 500 | 1 | 11 100 | 1 | [2] |

(b) (i)

| | 2010 | | 2011 | | |
|---|---|---|---|---|---|
| Motor vehicles | | | | | |
| MV1 | 6 500 | | 4 875 | 1 | |
| MV2 | 4 500 | | 3 375 | 1 | |
| MV3 | | | 6 000 | 1 | |
| | 11 000 | 2 | 14 250 | | [5] |

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**(ii)**

| | 2010 | | 2011 | |
|---|---|---|---|---|
| Equipment | | | | |
| EQ1 | 6 000 | | 4 800 | **1** |
| EQ2 | | | 8 800 | **1** |
| | 6 000 | **1** | 13 600 | |

[3]

**(c)** **Statement to show revised profit for the year**

| | 2010 | | 2011 | |
|---|---|---|---|---|
| Original net profit | 86 000 | | 94 000 | |
| Add back original depreciation | 11 500 | **1 of** | 23 500 | **1 of** |
| Deduct new depreciation | 17 000 | **1 of** | 27 850 | **1 of** |
| Revised net profit | 80 500 | | 89 650 | |

[4]

**(d)** The reducing balance method is suited to non-current assets such as motor vehicles that have a heavier fall in value in the early years of their life. Repair and maintenance costs increase of the life of the asset and then offset the decreasing depreciation charge.

**(3 × 1 mark)** [3]

**(e) (i)** **Wages**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Bank | 24 100 | | Balance b/d | 2 040 | **1** |
| Balance c/d | 2 130 | **1** | Income statement | 24 190 | **1** |
| | 26 230 | | | 26 230 | |
| | | | Balance b/d | 2 130 | |

[3]



**(ii)** **Insurance**

| | $ | | $ | |
|---|---|---|---|---|
| Bank | 1 400 | Balance b/d | 130 | **1** |
| | | Income statement | 660 | **1** |
| | | Balance c/d | 610 | **1** |
| | 1 400 | | 1 400 | |
| Balance b/d | 610 | | | |

[3]

**(iii)** **Rent received**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Income statement | 14 170 | **1** | Balance b/d | 1 490 | **1** |
| Balance c/d | 1 320 | **1** | Bank | 14 000 | **1** |
| | 15 490 | | | 15 490 | |
| | | | Balance b/d | 1 320 | |

[4]

**[Total: 30]**

**3 (a)** 960 000 **1** / 2 400 000 **1** = 40% **1 of** [3]

**(b)** **Job 787**

| | $ | | |
|---|---|---|---|
| Direct labour | 4 500 | **1** | |
| Direct material | 500 | **1** | |
| Prime cost | 5 000 | | |
| Factory overhead | 1 800 | **1 of** | |
| | 6 800 | | |
| General administration 20% | 1 360 | **1 of** | |
| Total cost | 8 160 | | |
| Profit | 2 720 | **1 of** | |
| Selling price | 10 880 | **1 of** | [6] |

**(c)** **(i)**

| | | | | |
|---|---|---|---|---|
| 1 | 150 000 / 500 000 = | 30% | **1** | |
| 2 | 450 000 / 1 000 000 = | 45% | **1** | |
| 3 | 360 000 / 900 000 = | 40% | **1** | [3] |

**(ii)**

| | | | | |
|---|---|---|---|---|
| 1 | 150 000 / 120 000 = | $1.25 | **1** | |
| 2 | 450 000 / 225 000 = | $2 | **1** | |
| 3 | 360 000 / 200 000 = | $1.80 | **1** | [3] |

**(d)** **Job 787**

| | $ | | | | |
|---|---|---|---|---|---|
| Prime cost | | | 5 000 | | |
| Overhead Production | 500 | **2 of** | | | |
| Overhead Assembly | 1 400 | **2 of** | | | |
| Overhead Packing | 1 170 | **2 of** | | | |
| Factory overhead | | | 3 070 | | |
| | | | 8 070 | | |
| General administration 20% | | | 1 614 | **1 of** | |
| Total cost | | | 9 684 | | |
| Profit | | | 3 228 | **1 of** | |
| Selling price | | | 12 912 | **1 of** | [9] |



**(e)** **(i)** Management decision-making relies heavily on the provision of accurate information. Use of estimated data which could be inaccurate can lead to under / over absorption of overhead. [2]

**(ii)** If the factory actual activity is less than the budgeted activity it faces under absorption of overhead. Not enough overhead is charged to each unit of production – this may affect pricing decisions which may influence profitability.

If the factory actual activity is higher than the budgeted activity it faces over absorption of overhead – too much overhead may be charged – this may affect pricing decisions which may influence demand and revenue for the product.

**1 mark each for mention of under or over absorption.**
**2 marks each to a max of 4 for any other valid comment**. [4]

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2013 series

## 9706 ACCOUNTING

**9706/11** Paper 1 (Multiple Choice – Core), maximum raw mark 30

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| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 11 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **C** | 16 | **B** |
| 2 | **D** | 17 | **C** |
| 3 | **C** | 18 | **B** |
| 4 | **C** | 19 | **B** |
| 5 | **B** | 20 | **D** |
| 6 | **B** | 21 | **C** |
| 7 | **D** | 22 | **C** |
| 8 | **C** | 23 | **C** |
| 9 | **C** | 24 | **A** |
| 10 | **A** | 25 | **C** |
| 11 | **A** | 26 | **C** |
| 12 | **B** | 27 | **D** |
| 13 | **D** | 28 | **B** |
| 14 | **C** | 29 | **A** |
| 15 | **C** | 30 | **A** |

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2013 series

## 9706 ACCOUNTING

**9706/12** Paper 1 (Multiple Choice – Core), maximum raw mark 30

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| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 12 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **B** | 16 | **C** |
| 2 | **D** | 17 | **D** |
| 3 | **A** | 18 | **A** |
| 4 | **B** | 19 | **D** |
| 5 | **D** | 20 | **C** |
| 6 | **C** | 21 | **C** |
| 7 | **C** | 22 | **A** |
| 8 | **C** | 23 | **C** |
| 9 | **B** | 24 | **C** |
| 10 | **D** | 25 | **B** |
| 11 | **D** | 26 | **D** |
| 12 | **D** | 27 | **C** |
| 13 | **A** | 28 | **D** |
| 14 | **B** | 29 | **C** |
| 15 | **C** | 30 | **B** |

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

## MARK SCHEME for the May/June 2013 series

# 9706 ACCOUNTING

**9706/13** Paper 1 (Multiple Choice – Core), maximum raw mark 30

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| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 13 |

| *Question Number* | *Key* | *Question Number* | *Key* |
|---|---|---|---|
| 1 | **B** | 16 | **C** |
| 2 | **C** | 17 | **C** |
| 3 | **B** | 18 | **C** |
| 4 | **C** | 19 | **A** |
| 5 | **C** | 20 | **D** |
| 6 | **C** | 21 | **D** |
| 7 | **C** | 22 | **A** |
| 8 | **A** | 23 | **C** |
| 9 | **A** | 24 | **A** |
| 10 | **B** | 25 | **A** |
| 11 | **D** | 26 | **A** |
| 12 | **D** | 27 | **C** |
| 13 | **C** | 28 | **B** |
| 14 | **D** | 29 | **C** |
| 15 | **A** | 30 | **B** |

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2013 series

## 9706 ACCOUNTING

**9706/21** Paper 2 (Structured Questions – Core), maximum raw mark 90

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| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 21 |

**1 (a)** Income statement (trading section) from the year ended 31 March 2013.

| | $ | $ | | |
|---|---|---|---|---|
| Revenue | | 50 000 | | |
| Cost of sales | | | | |
| Inventory (1 August 2012) | 15 400 | | | |
| Purchases | 23 000 | | | |
| | 38 400 | | | |
| Inventory (31 March 2013) | 13 200 | | | |
| | | 25 200 | (1) | |
| Gross profit | | 24 800 | (1) | **[2]** |

**(b)** Gross profit percentage = (24 800 / 50 000) × 100 = 49.6% **[2]**

**(c)** The gross margin obtained is less (worse) than planned.
The cost of the goods purchased for resale may have been higher than anticipated.
More wastage than anticipated.
Theft of inventory or cash
Closing inventory was understated
Discount on selling price

Two marks per point – max of 4. **[4]**



**(d)** Income and Expenditure account for the year ended 31 March 2013

| | $ | | $ | |
|---|---|---|---|---|
| Profit on food and drink | 24 800 | (1)OF | | |
| Subs (30 000 – 1600 – 400 + 1000 + 2600) | 31 600 | (2) | | |
| Profit on concert (116 800 – 83 500 – 27 000) | 6 300 | (3) | 62 700 | |
| Printing (14 000 – 2600 + 2800) | 14 200 | (1) | | |
| Repairs | 8 000 | | | |
| Salaries (45 000 – 2800 + 1600) | 43 800 | (1) | | |
| Sundry expenses | 760 | (1) | | |
| Sponsorship | 1 000 | | | |
| Loan interest due | 2 700 | (1) | | |
| Depreciation | 34 000 | (1) | | |
| Loss on sale of equipment | 2 000 | (1) | | |
| | | | 106 460 | |
| Deficit of expenditure/income | | | $43 760 | **[12]** |

Candidate may assume printing is for concert programmes in which case there would be a loss on the concert of $7900.

Workings for depreciation: (200 000 – 40 000 + 10 000) × 20% = 34 000

**(e)** Statement of Financial Position at 31 March 2013

| | $ | | $ | $ | |
|---|---|---|---|---|---|
| Non-current (fixed) assets | Cost | | Depreciation | NBV | |
| Equipment | 170 000 | | 66 000 | 104 000 | (3) |
| Current assets | | | | | |
| Inventory | 13 200 | | | | |
| Subscriptions in arrears | 2 600 | | | | |
| Bank | 32 540 | (2) | | | |
| | | | 48 340 | | |
| Current liabilities | | | | | |
| Subscriptions prepaid | 400 | | | | |
| Salaries accrued | 1 600 | | | | |
| Interest accrued | 2 700 | | | | |
| Printing accrued | 2 800 | | 7 500 | 40 840 | |
| | | | | 144 840 | |
| Non-current liabilities | | | | | |
| Loan | | | | 30 000 | |
| Net assets | | | | 114 840 | |
| Accumulated fund | 158 600 | (4) | | | |
| LESS Deficit I/E | 43 760 | (1)(OF) | | 114 840 | |



ACCUMULATED FUND CALCULATION

Award one mark for each pair correct to maximum of 4

| | | | |
|---|---|---|---|
| Assets | | | |
| Equipment (200 000 – 40 000) | | 160 000 | |
| Inventory | | 15 400 | |
| Subscriptions due | | 1 600 | |
| | | 177 000 | |
| Less liabilities | | | |
| Salaries accrued | 2 800 | | |
| Subscriptions prepaid | 1 000 | | |
| Printing accrued | 2 600 | | |
| Bank overdraft | 12 000 | 18 400 | |
| | | 158 600 | **[10]** |

**[Total: 30]**

Workings for net depreciation: 40 000 – 8000 + 34 000 = 66 000.

| Page 4 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 21 |

**2 (a) (i)**

**Machinery Account**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance b/d | 138 600 | (1) | Disposal | 14 000 | (1) |
| Bank | 11 500 | (1) | Disposal | 8 000 | (1) |
| Bank | 16 200 | | Disposal | 9 600 | (1) |
| | | | Balance c/d | 134 700 | |
| | 166 300 | | | 166 300 | |

**[5]**

**(ii)**

**Provision for Depreciation of Machinery Account**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Disposal | 7 560 | (1of) | Balance b/d | 52 200 | (1) |
| Disposal | 5 760 | (1of) | Income Statement | 24 246 | (1of) |
| Disposal | 8 640 | (1of) | | | |
| Balance c/d | 54 486 | (1) | | | |
| | 76 446 | | | 76 446 | |

**[6]**

Workings for balance of depreciation: (134 000 – 10%) × 20% = 24 246



**(iii)**

**Machinery disposals Account**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Machinery | 14 000 | | Provision for Depreciation | 7 560 | (1) |
| Machinery | 8 000 | | Bank | 7 100 | |
| Machinery | 9 600 | (1) | Provision for Depreciation | 5 760 | (1) |
| | | | Bank | 1 320 | (1) |
| | | | Provision for Depreciation | 8 640 | (1) |
| | | | Bank | 850 | |
| | 31 600 | | | | |
| | | | Income Statement | 370 | (1of) |
| | | | | 31 600 | |

**[6]**

**(b)** Reducing balance method (1), revaluation (1) or any other valid method. **[2]**

**(c)** Time, wear and tear, obsolescence, depletion (any 3 for 1 mark each). **[3]**

**(d)**

| Receipts | January | February | March | |
|---|---|---|---|---|
| Receipts from customers | 12 000 | 10 000 | 12 000 | (1) |
| Payments | | | | |
| Payments to suppliers | 10 000 | 4 000 | 6 000 | (1) |
| | 4 000 | 6 000 | 8 000 | (1) |
| Other expenses | 5 000 | 5 000 | 5 000 | (1) |
| | 19 000 | 15 000 | 19 000 | |
| Opening bank balance | 800 (1) | (6200) | (11200) | |
| Net cash flow | (7 000) | (5 000) | (7 000) | |
| Closing bank balance | (6 200) | (11 200) | (18 200) (1of) | |

**[6]**



**(e)** Delay payment to suppliers; reduce expenses if possible; take deposits from customers; offer settlement discounts (2 × 1 mark). **[2]**

**[Total: 30]**

**3 (a)**

| | | |
|---|---|---|
| | | $ |
| Revenue (total costs × 1.25) | | 2 768 750 (2of) |
| | $ | |
| Direct material | 310 000 (1) | |
| Direct labour – Department A | 320 000 } (1) | |
| Direct labour – Department B | 180 000 } (1) | |
| Production overhead – Department A | 520 000 } (1) | |
| Production overhead – Department B | 480 000 } (1) | |
| Administration overhead | 405 000 } (1) | 2 215 000 |
| Profit for the year | | 553 750 (1of) |

**[9]**

**(b) (i)** $520 000 / 32 000 hours = $16.25 per direct labour hour **[2]**

**(ii)** $480 000 / 20 000 hours = $24.00 per direct labour hour **[2]**

**(iii)** $405 000 / $810 000 = 50% of direct production costs **[2]**

**(c)**



| | | $ | | |
|---|---|---|---|---|
| Direct material | 5 625 × $2.48 | 13 950 | (1) | |
| Direct labour – Department A | 1 500 × $10.00 | 15 000 | (1) | |
| Direct labour – Department B | 1 200 × $9.00 | 10 800 | (1) | |
| Production overhead – Department A | 1 500 × $16.25 | 24 375 | (1of) 2(of) | |
| Production overhead – Department B | 1 200 × $24.00 | 28 800 | (1of) 2 (of) | |
| Administration overhead | $39 750 (1) × 50% | 19 875 | (1of) | |
| Total costs | | 112 800 | (2 + 1of) | **[11]** |

**(d)** $112 800 (1of) × 1.25 (2) = $141 000 (1of)

**OR** $112 800 (1of) + 28 200 (2) = $141 000 (1of) **[4]**

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2013 series

## 9706 ACCOUNTING

**9706/22** Paper 2 (Structured Questions – Core), maximum raw mark 90

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CAMBRIDGE
International Examinations

| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 22 |

1 (a) X manufactures computers, Y is a food wholesaler **(1)**

**1 mark for ratio or suitable figure and 1 mark for development.**

For example:
Gross profit/net profit ratio **(1)** – computers have a much higher mark-up than food **(1)**
Long term loan **(1) –** higher capital investment for a computer manufacturer **(1)**
Trade receivables **(1)** – higher for a computer manufacturer **(1)**
ROCE **(1)** – lower ROCE for a computer manufacturer **(1)** **[3]**

(b) Income Statements for businesses X and Y

| | Business X $ | Business Y $ | |
|---|---|---|---|
| Revenue | 540 000 (**2cf 1of)** | (1 500 000 (**2cf 1 of)** | |
| Less Cost of sales | 248 400 | 1 050 000 | |
| Gross profit | 291 600 | 450 000 | |
| Expenses | 194 400 | 360 000 | |
| Profit for year | 97 200 **(2cf 1 of)** | 90 000 (**2cf 1of)** | **[8]** |

(c) Statements of Financial Position for businesses X and Y



| | Business X $ | $ | Business Y $ | $ |
|---|---|---|---|---|
| **Non-current assets** | | 1 752 000 | 824 500 | |
| **Current assets** | | | | |
| Inventory | 38 000 | | 48 000 | |
| Trade receivables | 60 000 **(2cf 1of)** | | 12 500 **(2cf 1of)** | |
| Cash and cash equivalents | 30 000 | 128 000 | 14 000 | 74 500 |
| **Total assets** | 1 880 000 | | | 899 000 |
| **Current liabilities** | | | | |
| Trade payables | | 80 000 **(2cf 1of)** | | 149 000**(2cf 1of)** |
| **Net assets** | | 1 800 000 | | 750 000 |
| **Capital** | | 800 000 | | 700 000 |
| **Non-current liabilities** | | | | |
| Loan | | 1 000 000 | | 50 000 |
| **Capital employed** | | 1 800 000 **(2cf 1of)** | | 750 000**(2cf 1of)** |

**[12]**

**(d) (i)** The ability of current assets **(1)** to meet current liabilities **(1)** **[2]**

**(ii)** Y **(1)** **[1]**

**(iii)** Current ratio **or** acid test ratio **(1)**
Well below expected rate **(1)**. This means that Y does not have sufficient liquidity **(1)** and if creditors demanded swift payment **(1)** then Y would not have sufficient funds **(1)** to make payments. **Maximum 3 marks for development.** **[4]**

**[Total: 30]**

| Page 4 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 22 |

**2** **(a)** Statement of corrected net profit

| | + | - | | |
|---|---|---|---|---|
| | $ | $ | $ | |
| Draft profit for the year | | | 30 000 | **(1)** |
| Depreciation | | 3 500 **(1)** | | |
| Inventory | | 7 500 **(1)** | | |
| Loan interest | | 1 000 **(1)** | | |
| Purchase invoice | | 2 000 **(1)** | | |
| Sales invoice | 4 000 **(1)** | | (10 000) | |
| Corrected profit for the year | | | 20 000 | **(1of)** **[7]** |

**(b)** Calculation of capital

| | $ | |
|---|---|---|
| Capital | 90 000 | |
| Add net profit | 20 000 | **(1of)** |
| | 110 000 | |
| Less drawings | 2 000 | **(1cf)** |
| Capital | 108 000 | **[2]** |



**(c)** Profitability **or** turnover of Grosz's business
Reputation **or** customers returning to Grosz's business
Location of Grosz's business
Quality of workforce
Quality of products **[4]**

**(d)**

Capital accounts

| | Grosz | Kayal | | Grosz | Kayal |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| Goodwill | 24 000**(1of)** | 16 000**(1of)** | Balance b/d | 108 000 **(1of from b)** | |
| Balance c/d | 124 000 | 98 000 | Goodwill | 40 000 **(1of from a)** | |
| | | | Bank/Cash | | 30 000 **(1)** |
| | | | Equipment | | 60 000 **(1)** |
| | | | Inventory | | 24 000 **(1)** |
| | 148 000 | 114 000 | | 148 000 | 114 000 |

**[7]**

| Page 5 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 22 |

**(e)** Appropriation account for the year ended 30 June 2013

| | | $ | | $ | |
|---|---|---|---|---|---|
| Net profit | | | | 88 600 | **(1)** |
| Add interest on drawings | | | | | |
| | Grosz | 2 000 | **(1)** | | |
| | Kayal | 1 000 | **(1)** | 3 000 | |
| | | | | 91 600 | |
| Less interest on capital | | | | | |
| | Grosz | 6 200 | **(1of)** | | |
| | Kayal | 4 900 | **(1of)** | 11 100 | |
| | | | | 80 500 | |
| Salary – Kayal | | 10 500 | **(1)** | 70 000 | |
| Share of profit (first 40%) | | | | | |
| | Grosz | 14 000 | **(1of)** | | |
| | Kayal | 14 000 | **(1of)** | | |
| Share of profit | | | | | |
| | Grosz | 25 200 | **(1of)** | | |
| | Kayal | 16 800 | **(1of)** | 70 000 | |



**[10]**

**Combined share of profits in the correct ratios:**
**Grosz 39 200 (2of)**
**Kayal 30 800 (2of)**

**[Total: 30]**

**3** **(a)** Contribution = \$45.50 – \$35.00 = \$10.50 **(1)**

Breakeven point = \$23 100 **(1)** / \$10.50 **(1of)** = 2200 units **(1cf)** **[4]**

**(b)** 4000 units – 2200 units = 1800 units **(1of)** × \$45.50 **(1)** = \$81 900 **(1of)** **[3]**

**(c)** Bond \$52.00 – \$44.00 = \$8.00 **(1)**

Cord \$67.50 – \$55.00 = \$12.50 **(1)** **[2]**

**(d)**

| | | |
|---|---|---|
| Apex | 4000 × 3.5 m | = 14 000 m **(1)** |
| Bond | 6000 × 4 m | = 24 000 m **(1)** |
| Cord | 2000 × 5 m | = <u>10 000</u> m **(1)** |
| Total required | | = <u>48 000</u> m **(1)** **[4]** |

**(e)**

| | Apex | Bond | Cord |
|---|---|---|---|
| Contribution | \$10.50 | \$8.00 | \$12.50 |
| Metres of direct material | 3.5 m | 4 m | 5 m |
| Contribution per metre | \$3.00 **(1of)** | \$2.00 **(1of)** | \$2.50 **(1of)** |
| Ranking | 1 | 3 | 2 **(1of for all 3)** |

Optimum production plan

| | | | |
|---|---|---|---|
| Apex | 4000 × 3.5 m | = | 14 000 m |
| Bond | 4000 × 4 m | = | 16 000 m **(1)** |
| Cord | 2000 × 5 m | = | 10 000 m **(1)** |
| Total material | | | 40 000 m **(1)** |

| | \$ |
|---|---|
| Contribution Apex 4000 × \$10.50 | 42 000 **(1of)** |
| Contribution Bond 4000 × \$8.00 | 32 000 **(1of)** |
| Contribution Cord 2000 × \$12.50 | 25 000 **(1of)** |
| Total contribution | 99 000 **(1of)** |
| Fixed overheads | 46 200 **(1)** |
| Profit for the year | 52 800 **(1of)** |

**[13]**



**(f)** Fixed overheads are treated as a period cost under marginal costing **(1)** but as part of the cost of production under absorption costing **(1)**. As a result, the fixed overheads are written off in the period's income statement **(1)** rather than being carried forward as part of the inventory as is the case in absorption costing **(1)**. **[4]**

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the May/June 2013 series

## 9706 ACCOUNTING

**9706/23** Paper 2 (Structured Questions – Core), maximum raw mark 90

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| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – May/June 2013 | 9706 | 23 |

**1 (a)** Eagle Manufacturing Limited
Manufacturing Account for the year ended 31 March 2013

| | $000s | | $000s | |
|---|---|---|---|---|
| Opening inventory of raw materials | 17 | | | |
| Add purchases | 194 | | | |
| Add carriage in | 6 | **(1)** | | |
| | 217 | | | |
| Less closing inventory | 18 | | | |
| Direct materials used | | | 199 | **(1 of)** |
| Direct labour 153–16 | | | 137 | **1** |
| Prime cost | | | 336 | **(1 of)** |
| Indirect expenses | | | | |
| Indirect labour | 16 | | | |
| Electricity 30/5×4 | 24 | **(1)** | | |
| Rent 50/5×3 | 30 | **(1)** | | |
| Sundry expenses 12/3×1 | 4 | **(1)** | | |
| Insurance 18/6×5 | 15 | **(1)** | | |
| Depreciation on machinery (420–52) **(1)**×25%**(1)** | 92 | **(2)** | 181 | |
| | | | 517 | |
| Add opening inventory of work in progress | | | 19 | **(1** |
| Less closing inventory of work in progress | | | 15 | for both**)** |
| Factory cost of goods production | | | 521 | **(1 of)** |

**[12]**



**(b)** Income statement for the year ended 31 March 2013

| | | | | |
|---|---|---|---|---|
| Revenue | | | 816 | |
| Less opening inventory of finished goods | 32 | | | |
| Cost of goods production | 521 | | | |
| Less closing inventory of finished goods | 41 | | | |
| Cost of goods sold | | | 512 | |
| Gross profit | | | 304 | |
| Profit on sale of motor vehicle | | | 1 | **(1)** |
| Less overhead expenses | | | 305 | |
| Electricity | 6 | **(1)** | | |
| Carriage out | 22 | | | |
| Rent | 20 | **(1)** | | |
| Salaries | 14 | **(1)** | | |
| Sundry expenses | 8 | **(1)** | | |
| Insurances | 3 | **(1)** | | |
| Depreciation on office fittings | 3 | **(1)** | | |
| Depreciation on motor vehicles 26–3**(1)**+9**(1)** ×25%**(1)** | 8 | **(3)** | 84 | |
| Profit for the year | | | 221 | **[10]** |

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**(c) (i)** The shareholders will have their dividend deferred (1) to the next year or when there is a profit. (1) **[2]**

**(ii)** The directors need not declare a dividend. **[2]**

**(iii)** The dividend will not be paid (1) or deferred (1). **[2]**

**(iv)** The interest will still have to be paid. **[2]**

**[Total: 30]**

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**2** **(a)** **(i)** $\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1} = \frac{50}{150}$ = 33.33% **[3]**

**(ii)** $\frac{\text{Cost of sales}}{\text{Average inventory}} = \frac{150000}{15000}$ = 10 times (36.5 days) **[3]**

**(iii)** $\frac{\text{Trade receivables}}{\text{Credit sales}} = \frac{40000}{160000} \times \frac{365}{1}$ = 91.25 days **[3]**

**(iv)** $\frac{\text{Expenses}}{\text{Sales}} \times \frac{100}{1} = \frac{27500}{200000} \times \frac{100}{1}$ = 13.75% **[3]**

**(v)** $\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{40 + 10 + 12.5}{25 + 12.5}$ = 1.67:1 **[3]**

**(vi)** $\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}} = \frac{40 + 10}{25 + 2.5}$ = 1.33:1 **[3]**

**(vii)** $\frac{\text{Net sales}}{\text{Non - current assets at NBV}} = \frac{200}{60}$ = 3.33 times **[3]**

**(b)** B M Reid is less successful in 2012 **(1 OF)**

Inventory turnover is worse **(1)** due to higher prices **(1)**, less advertising **(1)**, economic downturn **(1)**. Trade receivables turnover is worse **(1)** due to poor credit control **(1)**, reduced discounts for prompt payment **(1)**, economic downturn **(1)**. [Maximum 5] **[5]**



**(c)** May be based on untypical data **(2)**; inter-firm comparisons may be faulty due to different methods of collecting information, e.g. different depreciation **(2)**; do not indicate causes of poor ratios **(2)**; may only be used to compare similar businesses **(2)**; ignore time factor in seasonal businesses **(2)**; misleading if not adjusted for inflation **(2)**. [Maximum 4] **[4]**

**[Total: 30]**

**3** **(a)** **(i)**

| | | $ | |
|---|---|---|---|
| March 31 | 20**(1)** @ 32.00 **(1)** | 640 **(1)** | **[3]** |

**(ii)**

| | | $ | |
|---|---|---|---|
| March 31 | 20 **(1)** @ 31.49 **(1)** | 629.80 **(1)** | **[3]** |

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**(b) (i)**

| | $ | | $ | |
|---|---|---|---|---|
| Revenue | | | 31 000 | **(1)** |
| Opening inventory | 1 500 | **(1)** | | |
| Purchases | 18 290 | **(1)** | | |
| | 19 790 | | | |
| Closing inventory | 640 | **(1of)** | 19 150 | |
| Gross profit | | | 11 850 | **(1of)** |

**[5]**

**(ii)**

| | $ | | $ | |
|---|---|---|---|---|
| Revenue | | | 31 000.00 | |
| Opening inventory | 1 500.00 | | | |
| Purchases | 18 290.00 | | | |
| | 19 790.00 | | | |
| Closing inventory | 629.80 | **(1of)** | 19 160.20 | |
| Gross profit | | | 11 839.80 | **(1of)** |

**[2]**

**(c) (i)** Advantages

- Relatively easy to calculate.
- Realistic – Inventory is bought and sold in order.
- Inventory values are based on actual prices paid for Inventory.
- Closing Inventory valuation is based on most recent prices paid.
- Acceptable under IAS.



Disadvantages

- The price at which Inventory is issued to production is likely to be out of date.
- When the prices of Inventory rise, the FIFO method values the Inventory at the highest (latest prices). This would reduce cost of sales and therefore increase profit. This would mean more tax would have to be paid.

(2 × 1 marks)
**[2]**

**(ii)** Advantages

- It is logical since all identical units of Inventory are given an equal value.
- Fluctuations in the purchase price of Inventory are evened out so the impact on costs and profit is reduced.
- It conforms to the IAS.

Disadvantages

- The average cost has to be recalculated every time the price of purchased Inventory changes.
- The average cost might not be the same as the actual cost paid.
- If Inventory prices are rising rapidly, the average cost will be lower than the replacement price.

(2 x 1 marks)
**[2]**

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**(d)**

- Needs to be consistent
- Window dressing of accounts not allowed
- Comparing results from one year to the next meaningless
- Falsely manipulating of accounts/true and fair view

Any two answers for 2 marks each to a maximum of 4 **[4]**

**(e)**

| Details | + $ | – $ | $ |
|---|---|---|---|
| Value at 7 April | | | 1000 **(1)** |
| Goods sold | 96 **(2)** | | |
| Goods purchased | | 70 **(1)** | |
| Returns inwards | | 64 **(2)** | |
| Goods damaged | | 10 **(1)** | |
| | 96 | 144 | 48 |
| Value at 31 March | | | 952 **(2cf 1of)** |



**[9]**

**[Total: 30]**