CAMBRIDGE
INTERNATIONAL EXAMINATIONS

November 2003

GCE A AND AS LEVEL

# MARK SCHEME

MAXIMUM MARK: 30



SYLLABUS/COMPONENT: 9706/01

ACCOUNTING
Paper 1 (Multiple Choice)

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

CAMBRIDGE
INTERNATIONAL EXAMINATIONS

**November 2003**

GCE A AND AS LEVEL

MARK SCHEME

MAXIMUM MARK: 90



SYLLABUS/COMPONENT: 9706/02

ACCOUNTING
Paper 2 (Structured Questions)

**MARK SCHEME - ACCOUNTING 9706 PAPER 2 (A/S) WINTER 2003 Page 1/4**

1(a) Accumulated fund at start

| | $ | | | $ | |
|---|---|---|---|---|---|
| Fixed assets | 85 600 | | Accruals | 4 480 | |
| Subscriptions | 31 800 | 1 | Creditors | 3 800 | 1 |
| Stock | 420 | | | | |
| Bank | 32 400 | 1 | Accumulated fund | 141 940 | 1 |
| | 150 220 | | | 150 220 | |

1 for every correct pair plus 1 for acc fund (4)

(b) Café Trading account

| | | $ | | $ | $ |
|---|---|---|---|---|---|
| Takings | | | | | 110 800 |
| less | O/stock | | | 420 | |
| | Purchases | 38 600 | | | |
| | Crs at start | (760) | | | |
| | Crs at end | 700 | 1 | 38 540 | |
| | | | | 38 960 | |
| | -C/stock | | | 370 | 38 590 |
| | | | | | 72 210 |
| Electricity (19000-220+260)/5 | | | 1 | 3 808 | |
| Rent (65600-1440+1640)/5 | | | 1 | 13 160 | |
| Wages (42400-760+840) | | | 1 | 42 480 | 59 448 |
| | | | | | 12 762 |

(4)



WORKINGS

| Grasscutter | | | | |
|---|---|---|---|---|
| Cost | 4000 | Depreciation | | |
| Depreciation | (2400) | FA | 85 600 | |
| Book value | 1600 | | (1 600) | |
| Received | 2000 | | 66 000 | |
| Profit | 400 | | 26 000 | 176 000 |
| | | Actual FA | | 119 680 |
| | | Depreciation | | 56 320 |

(c) Income and Expenditure account
for the year ended 31 December 2002

| | $ | $ | | |
|---|---|---|---|---|
| Profit on café | | 12 762 | 1 | |
| Subscriptions (313 600-31 800+33 200) | | 315 000 | 1 | |
| Profit on sale of Grasscutter | | 400 | 2 | |
| | | 328 162 | | |
| Wages (102 800-2060+2500) | 103 240 | | 1 | |
| Electricity (19 040x4/5) | 15 232 | | 1 | |
| Rent (65 800x4/5) | 52 640 | | 1 | |
| Maintenance (94 200-3040+4200) | 95 360 | | 1 | |
| Depreciation | 56 320 | 322 792 | 1 | |
| Surplus | | 5 370 | | (9) |

Balance Sheet as at 31 December 2002

(d)

| | $ | | $ | $ | | |
|---|---|---|---|---|---|---|
| Fixed assets at Net book value | | | | 119 680 | | |
| Current assets | | | | | | |
| Stock | 370 | | | | | |
| Subs due | 33 200 | 1 | | | | |
| Bank | 4 200 | | 37 770 | | | |
| Current liabilities | | | | | | |
| Creditors | 4 900 | 1 | | | | |
| Accruals | 5 240 | 1 | 10 140 | 27 630 | | |
| | | | | 147 310 | | |
| Accumulated fund at start | | | | 141 940 | 1 | |
| Surplus | | | | 5 370 | 1 | |
| | | | | 147 310 | | (5) |



(e) (i) As income in the I & E account or 2
shown separately in the balance Sheet. 2

(ii) R & P records all cash/cheque transactions through the year; 2
I & E takes into account accruals & prepayments. 2 (8)

**MARK SCHEME - ACCOUNTING 9706 PAPER 2 (A/S) WINTER 2003 Page 3/4**

2(a) Dissolution/Realisation account

| | $ | | | $ | |
|---|---|---|---|---|---|
| Buildings | 104 000 | 1 | Bank | 100 000 | |
| Fixtures & fittings | 35 000 | 1 | | 37 000 | |
| Motor vehicles | 26 000 | 1 | | 15 000 | |
| Stock | 10 500 | 1 | | 5 200 | |
| Debtors | 17 230 | 1 | | 16 130 | |
| Bank (expenses) | 1 200 | 2 | Dougal | 9 500 | |
| | | | Dougal | 7 400 | |
| | for both | 1 | Florence | 3 700 | |
| | 193 930 | | | 193 930 | (8) |

(b) Current Accounts

| | Dougal | Florence | | | Dougal | Florence | |
|---|---|---|---|---|---|---|---|
| Bal b/d | | 2 580 | 1 | Bal b/d | 14 430 | 1 | |
| Dissol. | 9 500 | | 1 | Capital | 2 470 | 6 280 | |
| Dissol. | 7 400 | 3 700 | 1 | **for both** | | | |
| | 16 900 | 6 280 | | | 16 900 | 6 280 | (4) |

(c) Capital Accounts

| | Dougal | Florence | | | Dougal | Florence | |
|---|---|---|---|---|---|---|---|
| Current ac | 2 470 | 6 280 | 2 | Bal b/d | 80 000 | 40 000 **2** | |
| Bank | 77 530 | 33 720 | | | | | |
| | 80 000 | 40 000 | | | 80 000 | 40 000 | (4) |



(d) Bank Account

| | | | | | |
|---|---|---|---|---|---|
| Bal b/d | 1 | 950 | Creditors | 9 230 **1** | |
| Dissolution | ( | 100 000 | Dissolution | 1 200 **1** | |
| | ( | 37 000 | Capital - D | 77 530 **1** | |
| | **2 OF** ( | 15 000 | Capital - F | 33 720 **1** | |
| | ( | 5 200 | Loan - D | 52 600 **1** | |
| | ( | 16 130 | | | |
| | | 174 280 | | 174 280 | (8) |

(e) Unlimited liability of owners (partners)
Responsibilities of/control by partners
Agreements on share of profits/losses
Agreements on death/dissolution
etc

2 marks each to max (6)

## MARK SCHEME - ACCOUNTING 9706 PAPER 2 (A/S) WINTER 2003 Page 4/4

3(a) Darnick Holdalls Limited

| | Cutting | Stitching | Maint. | Canteen | | |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | | |
| Allocated overheads | 44 200 | 47 600 | 15 000 | 18 000 | 4 | |
| Space costs | 30 000 | 36 000 | 12 000 | 12 000 | 4 | |
| Depreciation | 70 000 | 85 000 | 25 000 | 20 000 | 4 | |
| Canteen | 24 000 | 18 000 | 8 000 | (50 000) | 3 | |
| Maintenance | 18 000 | 42 000 | (60 000) | | 2 | |
| | 186 200 | 228 600 | 0 | 0 | | (17) |

(b)

| | | | | | |
|---|---|---|---|---|---|
| Costs - Cutting department | 10 000x17 | 170 000 | 186 200 | 1 | |
| | 9 000x18 | 162 000 | 420 000 | 1 | |
| | 4 400x20 | 88 000 | $0.44 per man hour | 1 | |
| Costs - Stitching department | 10 000x3 | 30 000 | 228 600 | 1 | |
| | 9 000x4 | 36 000 | 88 000 | 1 | |
| | 4 400x5 | 22 000 | $2.60 per m/c hr | 1 | |
| | | | | | (6) |

(c)

| | | |
|---|---|---|
| Cutting is labour intensive | 1 | |
| Stitching is capital intensive | 1 | (2) |

(d) Cost of Medium case

| | | | | | | |
|---|---|---|---|---|---|---|
| Materials | | $35.00 | | $35.00 | 1 | |
| Labour - cutting | | $18.00 | | $18.00 | 1 | |
| Labour - stitching | | $6.00 | | $6.00 | 1 | |
| O/heads - cutting | (18x$0.44) | $7.92 | accept | $7.98 | 1 | |
| O/heads - stitching | (4x$2.60) | $10.40 | either | $10.40 | 1 | |
| | | $77.32 | | $77.38 | | |
| | | | | | | (5) |

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

| | maximum mark available | minimum mark required for grade: | | |
|---|---|---|---|---|
| | | A | B | E |
| Component 1 | 30 | 23 | 21 | 14 |

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.

**NOVEMBER 2004**

GCE AS/A LEVEL

MARK SCHEME

MAXIMUM MARK: 30



SYLLABUS/COMPONENT: 9706/01

ACCOUNTING
Paper 1 (Multiple Choice Core))

| Page 1 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – NOVEMBER 2004 | 9706 | 1 |

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

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

| | maximum mark available | minimum mark required for grade: | | |
|---|---|---|---|---|
| | | A | B | E |
| Component 2 | 90 | 61 | 52 | 32 |

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.

**NOVEMBER 2004**

GCE A/AS LEVEL

MARK SCHEME

MAXIMUM MARK: 90



SYLLABUS/COMPONENT: 9706/02

ACCOUNTING
Paper 2 (Structured Questions)

| Page 1 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – NOVEMBER 2004 | 9706 | 2 |

**1 (a)**

| Bank account | Dr | Cr | Balance | | | |
|---|---|---|---|---|---|---|
| | $ | $ | $ | | | |
| Capital | 17 600 | | 17 600 | Dr | **1** | |
| Purchases etc (30320+2000+800) | | 33 120 | 15 520 | Cr | **1** | |
| Motor Car | | 5 750 | 21 270 | | **1** | |
| Motor expenses | | 515 | 21 785 | | **1** | |
| Float | | 100 | 21 885 | | **1** | |
| Sales (difference) | 24 005 | | 2 120 | Dr | **1** | **+ 1 of** |

**(7)**

**(b)**

| Total sales | $ | | |
|---|---|---|---|
| Cash paid in for sales | 24 005 | **1** | **of** |
| add rent | 720 | **1** | |
| add drawings | 5 200 | **1** | |
| Total sales | 29 925 | **1** | **of** |

**(4)**

**(c)** Closing stock

| | | | |
|---|---|---|---|
| Raw materials purchased = 33 120 – 2 000 - 800 = | $30 320 | **3** | |
| Cost of sales = 29 925 x $\frac{100}{175}$ = | $17 100 | **1** | **+ 1 of** |
| Closing stock = 30 320 - 17 100 | $13 220 | **1** | **of** |

**(6)**

**(d)** Trading and Profit and Loss account for the year ended 31 March 2004

| | | | $ | $ | | |
|---|---|---|---|---|---|---|
| Sales | | | | 29 925 | **1** | **of** |
| less cost of sales | | | | | | |
| Purchases | | | 30 320 | | | |
| less closing stock | | | 13 220 | 17 100 | **1** | **of** |
| Gross profit | | | | 12 825 | | |
| less expenses | | | | | | |
| Rent | | | 720 | | **1** | |
| Petrol | | | 800 | | **1** | |
| Motor expenses | | | 515 | | **1** | |
| Depreciation | Motor car | 1 150 | | | **1** | |
| | Display cabinets | 400 | 1 550 | 3 585 | **1** | |
| Net profit | | | | 9 240 | **1** | **of** |

**(8)**

Side-by-side layout for accounts is equally acceptable.

**(e)** **(i)** If the company goes out of business the shareholders cannot be held personally liable for the company debts.

**(ii)** The death or retiral of a director of a limited company need not affect the business.

However,

**(iii)** Annual accounts must be professionally audited.

**(iv)** Companies must file annual return and accounts with the Registrar of Companies.

**(v)** There is much more "red tape" than with sole traders or partnerships.

**(vi)** Each shareholder must be sent a copy of the company's annual audited accounts.

Any other relevant answers. Any 5 points. **(5)**

**Total [30]**

| Page 3 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – NOVEMBER 2004 | 9706 | 2 |

**2 (a)**

Sales Ledger Control Account

| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance b/f | 5 627 | **1** | Sales returns | 1 997 | **1** |
| Sales for year | 100 384 | **1** | Bank (from debtors) | 92 760 | **1** |
| Dishonoured cheque | 109 | **1** | Discount allowed | 4 082 | **1** |
| | | | Bad Debts written off | 1 884 | **1** |
| | | | Contra entry | 208 | **1** |
| | | | Balance c/d | 5 189 | **1** |
| | 106 120 | | | 106 120 | |
| Balance b/f | 5 189 | **1** | **OF** | | **(10)** |

**(b)(i)**

Amended Sales Ledger Control Account

| | $ | | | $ | |
|---|---|---|---|---|---|
| | | | | 1 | |
| Balance b/f | 5 189 | **1** | Debit balance Contra | 412 | **1** |
| | | | | 1 | |
| Sales invoice omitted | 2 001 | **1** | Credit note correction | 440 | **1** |
| Additional Sales | 7 820 | **1** | | | |
| Discount allowed over/s | 620 | **1** | Balance c/d | 12 778 | **1** |
| | 15 630 | | | 15 630 | |
| Balance b/d | 12 778 | **1** | **OF** | | **(8)** |



Alternative Amended Sales Ledger Control Account

| | $ | $ | | | $ | $ | |
|---|---|---|---|---|---|---|---|
| Balance b/f | | 5 627 | **1** | Sales Returns | | 1 997 | |
| Sales | 100 384 | | | Dis all'd | 4 082 | | |
| | 2 001 | | **1** | less | 620 | 3 462 | **1** |
| | 7 820 | | **1** | Bank | | 92 760 | |
| less | 1 440 | 108 765 | **1** | Bad Debts w/o | | 1 884 | |
| Dishon cheque | | 109 | | Contras | 208 | | |
| | | | | | 1 412 | 1 620 | **1** |
| | | | | Balance c/d | | 12 778 | **1** |
| | | 114 501 | | | | 114 501 | |
| Balance b/d | | 12 778 | **1** | **OF** | | | **(8)** |

**(b)(ii)** Statement agreeing balances

| | | $ | $ | | |
|---|---|---|---|---|---|
| | | | | **1** | |
| Sales ledger total | | | 9 387 | | |
| Add | Balance omitted | 4 020 | | **1** | |
| | Balance understated | 220 | | **1** | |
| | Entry omitted | 1 620 | | **1** | |
| | Invoice omitted | 2 001 | 7 861 | **1** | |
| | | | 17 248 | | |
| Less | Receipt not posted | 1 210 | | **1** | |
| | Credit note correction | 1 440 | | **1** | |
| | Bankruptcy | 1 820 | 4 470 | **1** | |
| | | | 12 778 | **1** | **(9)** |

**Any correct answers/layouts acceptable**

**(c)** Minimises possibility of fraud
Makes fraud easier to find
Minimises possibility of errors
Makes errors easier to find
Checking easier as sectional ledgers created
Control accounts not handled by clerks who make original entries
Total debtors and creditors figures readily available

**Maximum (3)**
**Total [30]**

**3 (a)**

| | Option 2 | | Option 3 | |
|---|---|---|---|---|
| Fixed Costs / Unit contribution | 30M / 370-150 | 136 364 Units | 50M / 420-100 | 156 250 units |
| if units not rounded | | \$50 454 545 | | |
| if units rounded | | \$50 454 680 | | \$65 625 000 |

1 for using correct formula, 1 for each answer
Accept approximate answers for value if formula used is FC/CS ratio

**(5)**

**(b)**

| | Units | Option 1 | Option 2 | Option 3 |
|---|---|---|---|---|
| | | \$000 | \$000 | \$000 |
| **(i)** | 190 000 | 22 800 | 11 800 | 10 800 |
| **(ii)** | 240 000 | 28 800 | 22 800 | 26 800 |
| **(iii)** | 290 000 | 34 800 | 33 800 | 42 800 |

**(9)**

**(c)** $\frac{\text{Difference in Fixed Costs}}{\text{Difference in Contribution}}$ $\frac{\$50M-\$30M}{320-220}$ 200 000 units

OR

220x - 30 000 000 = 320x - 50 000 000
i.e. 100x = 20 000 000
i.e. x = 200 000 units

**(3)**

**(d)** $\frac{\text{Fixed Costs}}{\text{Contribution - Profit on buying in}}$ $\frac{50\ 000\ 000}{320-120}$ 250 000 units



OR 400x - 280x = 420x - 100x - 50 000 000
400x - 280x = 420x - 100x - 50 000 000
i.e. 200x = 50 000 000
i.e. x = 250 000 units

**(3)**

**(e)** Option 1 - buying in - is best from 200 000 up to 250 000 units.
Option 2 - do not use.
Option 3 is best from 250 000 upwards.
Any other relevant answers.

2 each **(6)**

**(f)**

| Assumption | Limitation |
|---|---|
| FC remains fixed | Rent etc may increase |
| VC always in same proportion to sales | Economies of scale may occur |
| SP is constant | Competition may force lower prices |
| Sales mix does not change | Demand forces changes |
| B/E based on one product | Few produce only one product |
| Cost mix constant | Labour intensive becomes capital intensive |
| Costs either fixed or variable | Some are semi-variable |
| Technology/efficiency does not change | Firms constantly aim to improve |
| No outside influences | We live in a real world |
| etc | |

Limitations must follow on from assumptions

Any two pairs for **(4)**

**Total [30]**

1 (a) Bank balance is $43 000.

(b) O'Riley and Co plc
Trading, Profit and Loss and Appropriation account for the year ended 30 April 2005

| | $ | $ | $ | $ | |
|---|---|---|---|---|---|
| Sales | | | | 605 000 | |
| less Returns | | | | 15 000 | |
| | | | | 590 000 | 1 |
| less Cost of Sales | | | | | |
| Opening stock | | 75 000 | | | |
| Purchases | 380 000 | | | | |
| less Returns | 10 000 | 370 000 | | | 1 |
| | | 445 000 | | | |
| less Closing stock | | 85 000 | | 360 000 | |
| Gross Profit | | | | 230 000 | 1 OF |
| less expenses | | | | | |
| Provision for doubtful debts | | | 425 | | 1 |
| Bad debts written off | | | 3 000 | | 1 |
| Wages | | 80 000 | | | |
| add accrued wages | | 2 000 | 82 000 | | 1 |
| Other expenses | | 60 000 | | | |
| less other expenses prepaid | | 3 300 | 56 700 | | 1 |
| Provision for depreciation on premises | | | 10 400 | | 1 |
| Provision for depreciation on equipment | | | 28 800 | | 1 |
| Debenture interest | | | 5 000 | | 1 |
| Loan interest | | | 2 000 | 188 325 | 1 |
| Net Profit | | | | 41 675 | 1 OF |
| Proposed dividends - ordinary | | 13 600 | | | |
| preference | | 4 800 | 18 400 | | 1 |
| Transfer to General Reserve | | | 20 000 | 38 400 | |
| Retained profit for the year | | | | 3 275 | 1 OF |
| Balance b/f | | | | 87 200 | |
| Retained profit c/f | | | | 90 475 | |
| | | | | | (14) |



As some candidates may have interpreted “Trading account” to include only stock items, purchases and sales, it was decided that marks for this section would be awarded only for such items, giving a gross profit. However, for inclusion in the Income and Expenditure account, candidates would be expected to calculate a full net profit.

| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE A/AS LEVEL – November 2005 | 9706 | 2 |

**(c)** Balance Sheet as at 30 April 2005

| | $ | $ | $ | $ | |
|---|---|---|---|---|---|
| Fixed Assets | | Cost | Dep'n | NBV | |
| Premises | | 520 000 | 114 400 | 405 600 | |
| Equipment | | 200 000 | 156 800 | 43 200 | |
| | | 720 000 | 271 200 | 448 800 | 1 |
| Current Assets | | | | | |
| Stock | | 85 000 | | | |
| Debtors | 57 000 | | | | |
| less provision for doubtful debts | 1 425 | 55 575 | | | 1 |
| Bank | | 113 200 | | | 1OF |
| Prepayment | | 3 300 | 257 075 | | |
| Creditors due within one year | | | | | |
| Trade Creditors | | 43 000 | | | |
| Accrual | | 2 000 | | | |
| Dividends due | | 18 400 | 63 400 | | 1 |
| Net Current Assets | | | | 193 675 | 1 |
| | | | | 642 475 | |
| Creditors due after one year | | | | | |
| 5% Debentures | | | 100 000 | | |
| Loan | | | 25 000 | 125 000 | 1 |
| | | | | 517 475 | |
| Financed by | | | | | |
| Issued Share Capital | | | | | |
| 340 000 ordinary shares of $0.50 each | | | | 170 000 | 1 |
| 80 000 6% preference shares of $1 each | | | | 80 000 | 1 |
| | | | | 250 000 | |
| Reserves | | | | | |
| Share premium | | | 82 000 | | 1 |
| Profit and Loss | | | 90 475 | | 1 |
| General reserve | | | 95 000 | 267 475 | 1 |
| | | | | 517 475 | |
| | | | | | (11) |



(d) Share premium is the amount above the face value of a share at which it may be issued. Example: a $1 share may be issued at $1.05. The $1 is credited to the share capital account whilst the $0.05 is credited to the share premium account. It is a capital reserve and may be used as follows:

(i) to pay up unissued shares as fully paid bonus shares.
(ii) to write off preliminary expenses on formation of the company
(iii) to write off expenses incurred in share issues.
(iv) to provide any premium payable on redemption of shares or debentures.

Up to 4 points (4)

A2 (a) Accumulated fund at 1 November 2004

| | Dr | Cr | | |
|---|---|---|---|---|
| | $ | $ | | |
| Bank | 5 950 | | | |
| Subscriptions in arrears | 550 | | | |
| Subscriptions in advance | | 100 | | |
| Stock | 6 390 | | | |
| Creditors | | 4 235 | | |
| Dance | | 50 | | |
| Equipment | 8 000 | | 2 marks | |
| Depreciation | | 2 000 | per pair | |
| Accumulated fund | | 14 505 | | |
| | 20 890 | 20 890 | | (4) |

(b) Restaurant Trading Account for the year ended 31 October 2005

| | | $ | $ | $ | $ | | |
|---|---|---|---|---|---|---|---|
| Sales | | | | | 62 100 | | |
| Less cost of sales | | | | | | | |
| Opening stock | | | | 6 390 | | | |
| Purchases | | | 35 500 | | | | |
| Plus | 1 | 4 785 | | | | | |
| Less | 1 | 4 235 | 550 | 36 050 | | | |
| | | | | 42 440 | | | |
| Less closing stock | | | | 7 520 | 34 920 | | |
| Gross profit | | | | | 27 180 | 1of | |
| General expenses | | | | 2 100 | | 1 | |
| Wages | | | | 7 800 | | 1 | |
| Depreciation | | | | 550 | 10 450 | 1 | |
| Net profit | | | | | 16 730 | | (6) |



(c) Income & Expenditure account for year ended 31 October 2005

| | $ | $ | $ | |
|---|---|---|---|---|
| INCOME | | | | |
| Subscriptions = 17600-550+650+100-450 | | | 17 350 | 6 |
| Restaurant profit | | | 16 730 | 1of |
| | | | 34 080 | |
| EXPENDITURE | | | | |
| Annual dance = 3750-50+125 | | 3 825 | | 3 |
| Wages = 2/3 x 23400 | | 15 600 | | 3 |
| Repairs | | 4 320 | | |
| General expenses = 5420-2100 | | 3 320 | | 2 |
| Interest on loan = 5% of 60000 | | 3 000 | | 2 |
| Depreciation - clubhouse | 1 300 | | | 1 |
| Depreciation - equipment | 2 800 | 4 100 | 34 165 | 2 |
| Deficit | | | 85 | 1of |
| | | | | (20) |

Total marks 30

CHECK

| | $ | $ | $ |
|---|---|---|---|
| Balance Sheet | | | |
| Fixed assets | 65000 | 1300 | 63700 |
| | 15400 | 5350 | 10050 |
| | | | 73750 |
| Current assets | | | |
| Stock | 7520 | | |
| subs | 650 | | |
| Cash | 860 | 9030 | |
| | | | |
| Current liabilities | | | |
| Creditors | 4785 | | |
| Subs | 450 | | |
| Interest | 3000 | | |
| Dance | 125 | 8360 | 670 |
| | | | 74420 |
| | | | |
| Acc fund | | | 14505 |
| Loan | | | 60000 |
| | | | 74505 |
| deficit | | | 85 |
| | | | 74420 |

A3 Workings

| | $ | | |
|---|---|---|---|
| Selling price | 600 | Monthly | |
| Direct materials | 100 | Assumed production (units) | 2000 |
| Direct labour | 90 | Actual production (units) | 2400 |
| Variable overheads | 50 | Sales (units) | 1800 |
| Fixed overheads | 160 | Fixed admin overheads | $80 000 |
| Total overheads | 400 | Variable sales overhead | 10% Sales valu |
| | | Fixed sales overhead | $120 000 |

Absorption Costing

| September 2005 | $000 | $000 | |
|---|---|---|---|
| Opening stock | | Nil | - |
| Production costs | | | |
| Direct materials | 240 | | |
| Direct labour | 216 | | |
| Variable overheads | 120 | | |
| Fixed overheads | 384 | 960 | 1 see |
| less closing stock | | 240 | 1 marks |
| Production cost of sales | | 720 | 1 below |
| OR (1800 x 400) | | | |

Marginal costing

| | | | |
|---|---|---|---|
| Opening stock | | Nil | |
| Variable production costs | | | |
| Direct materials | 240 | | |
| Direct labour | 216 | | |
| Variable overheads | 120 | 576 | 1 see |
| less closing stock | | 144 | 1 marks |
| Variable production cost of sales | | 432 | 1 below |
| OR (1800 x 240) | | | |



Over-absorption of overheads

| | | |
|---|---|---|
| Production volume | 2400 units | |
| Fixed overheads per unit | $160 | |
| Fixed overheads absorbed | $384 000 | 1 see marks |
| Fixed overheads incurred | $320 000 | 1 below |
| Over-absorbed | $64 000 | |

ANSWERS

| (a) (i) | | | (a) (ii) | | | |
|---|---|---|---|---|---|---|
| Absorption | | | Marginal | | | |
| Sales units | 1800 | | Sales units | | 1800 | |
| | $000 | | | | $000 | |
| Sales value | 1440 | 1 | Sales value | | 1440 | |
| Production C of S | 720 | 3 | VC of production | | 432 | 3 |
| Over-absorption | 64 | 2 | V sales o/heads | | 144 | 2 |
| Gross profit | 784 | 1 | | | 576 | |
| | | | Contribution | | 864 | 1 |
| | | | less fixed costs | | | |
| Fixed admin overheads | 80 | | Production | | 320 | |
| Variable sales overheads | 144 | 1 | Admin | | 80 | |
| Fixed sales overheads | 120 | | Sales | | 120 | |
| | 344 | 1 | | | 520 | 1 |
| Net profit | 440 | 1 | Net profit | | 344 | 1 |

**(18)**

(b)

| | | | |
|---|---|---|---|
| | $000 | | |
| Profit - absorption | 440 | Quantity produced | 2400 |
| Profit - marginal | 344 | Quantity sold | 1800 |
| Difference | 96 | Closing stock | 600 |
| | 1 | 1 | 1 |



Stock has increased by 600 units which accounts for 600 x $160 of fixed costs, a total of $96 000
1

**(4)**

(c)

| | | | | | | |
|---|---|---|---|---|---|---|
| Fixed costs | $000 | | Sales price per unit | | $800 | 1 |
| Production overhead | 320 | 1 | less VC | | | |
| Admin overhead | 80 | 1 | DM | 100 | | |
| Sales overhead | 120 | 1 | DL | 80 | | |
| | 520 | | Prod o/h | 60 | | |
| | | | Sales o/h | 80 | 320 | 1 |
| | | | Unit contribution | | $480 | 1 |

Break-even = FC/c = $520 000/480 = 1,084 units **2 OF**

**(8)**

**Total marks 30**

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

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Question 1 (a)(i)

Goodwill Account

| | $ | | | | $ | |
|---|---|---|---|---|---|---|
| Bal b/d | 10 000 | 1 | Capital | Frank | 15 000 | 1 |
| Revaluation | 20 000 | 1 | | Ernest | 7 500 | 1 |
| | | | | Devious | 7 500 | 1 (5) |
| | 30 000 | | | | 30 000 | |

(ii)

Revaluation account

| | | $ | | | $ | |
|---|---|---|---|---|---|---|
| Equipment | | 1 300 | 1 | Goodwill | 20 000 | 1 |
| Stock | | 1 000 | 1 | | | |
| Capital - | Frank | 11 800 | 1OF | unless aliens | | |
| | Ernest | 5 900 | 1OF | | | |
| | | 20 000 | | | 20 000 | (5) |

(iii)

Capital accounts

| | $ F | $ E | $ D | | | $ F | $ E | $ D | |
|---|---|---|---|---|---|---|---|---|---|
| Goodwill | 15 000 | 7 500 | 7 500 | 3OF | Bal b/d | 80 000 | 120 000 | | 2 |
| | | | | | Premises | | | 196 000 | 1 |
| Bal c/d | 76 800 | 118 400 | 188 500 | 1 | Reval | 11 800 | 5 900 | | 1OF |
| | 91 800 | 125 900 | 196 000 | | | 91 800 | 125 900 | 196 000 | |
| | | | | | Bal b/d | 76 800 | 118 400 | 188 500 | (8) |

(iv)

Balance Sheet at 1 February 2006



| | | | | $ | $ | $ | $ | |
|---|---|---|---|---|---|---|---|---|
| **Fixed assets at net book value** | | | | | | | | |
| Premises | | | | | | | 196 000 | 1 |
| Motor vehicles | | | | | | | 58 200 | |
| Equipment | | | | | | | 34 100 | 1 |
| Fixtures and fittings | | | | | | | 39 000 | |
| | | | | | | | 327 300 | |
| **Current assets** | | | | | | | | |
| Stock | | | 1 | 63 000 | | | | |
| Debtors | | | | 45 600 | | | | |
| Bank | | | | 19 200 | 127 800 | | | |
| **Amounts due within 1 year** | | | | | | | | |
| Creditors | | | | | 22 400 | | | |
| **Net current assets** | | | | | | | 105 400 | 1 |
| | | | | | | | 432 700 | |
| **Capital accounts** | Frank | | (for | | 76 800 | | | |
| | Ernest | 1of | (all | | 118 400 | | | |
| | Devious | | (three | | 188 500 | 383 700 | | |
| **Current accounts** | Frank | | (for | | 35 400 | | | |
| | Ernest | 1 | (both | | 13 600 | 49 000 | 432 700 | (8) |

(iv) Goodwill is taken into account on the retiral of a partner, who must be credited with his share of Goodwill. An incoming partner must compensate the existing partners for his acquired share of Goodwill. In this situation Goodwill may be raised in the books of account as an asset, but it is considered prudent to adjust individual capital accounts in order to compensate each partner when partners retire from or join a partnership.
Etc.

2 for each point to a maximum of (6)
Total [30]

Question 2 (a) Balance Sheet at 30 September 2006

| | $000 | | $000 | | $000 | | |
|---|---|---|---|---|---|---|---|
| **Fixed assets** | | | | | 77 | | |
| **Current assets** | | | | | | | |
| Stock | 12 | 1 | | | | | |
| Debtors | 31 | | | | | | |
| Bank | 15 | 1 | 58 | | | | |
| **Current liabilities** | | | | | | | |
| Creditors | 33 | | | | | | |
| Loan interest due | 1 | 1 | 34 | | | | |
| Net current assets (working capital) | | | | | 24 | 1OF | |
| | | | | | 101 | | |
| Long-term liability | | | | | | | |
| Bank loan | | | | | 20 | 1 | |
| | | | | | 81 | | |
| | | | | | | | |
| Capital | | | | | 91 | 1OF | |
| Net profit | | | | | 10 | | |
| | | | | | 101 | | |
| less drawings | | | | | 20 | | |
| | | | | | 81 | | (6) |

(b)

(i) Net profit percentage = 4.17% (10/240)x100 **2OF**
(ii) Current ratio = 1.71:1 (58/34) **2OF**
(iii) Quick ratio = 1.35:1(46/34) **2OF**
(iv) Rate of stockturn = 9.22 times (166/18) **2**
(v) Percentage return on owner's capital employed = 12.35%(10/81)x100 **2OF**
(vi) Percentage return on total capital employed = 11.88% (12/101)x100 **2OF**
(vii) Debtors collection period = 48 days (31/240)x365 **2**
(viii) Creditors payment period = 79 days (33/154)x365 **2**

2 for correct answer, 1 if suffix omitted (16)

(c) Loss at cost = (240 000x35%) - 74 000 = $10 000
1 1 1 1 (4)

(d)(i) Quick method of comparing either two businesses of the same type or two or more years within one business.
etc
(ii) Too simplistic - eg assumes in times of inflation that income and costs rise at the same rate
etc
1 per point + 1 for expansion to maximum (4)

**Total [30]**

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Question 3 (a)(i)
1 Profit 1
2 Loss 1
3 Sales 1
4 Break-even point 1 (4)

(ii) Break-even = Fixed costs/unit contribution = 95.2381 units = $2,857.14
OR 96 $2880
1 1 1 1
(accept rounding either way) (4)

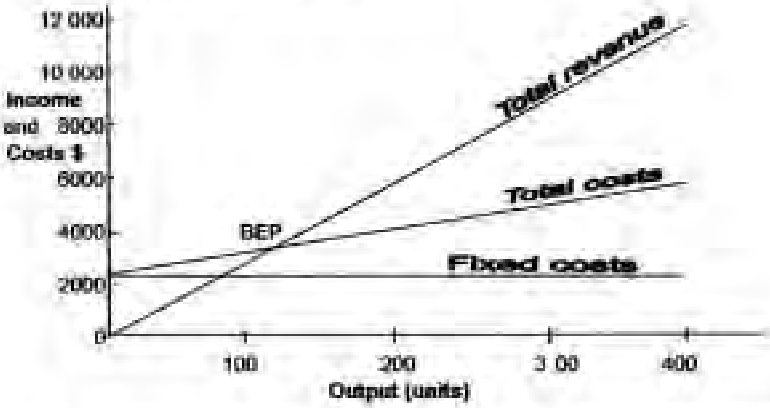
(iii) Margin of safety is the distance between break-even point and expected level of activity 2
It shows the amount by which actual activity can fall short of expected activity before a loss is incurred 2
It is a measure of risk 2
to maximum (4)

(iv) 300-96 = 204 units = $6120 (4)
2 1 1

(b)(i) New fixed costs = 115% of $2000 = $2300
New break-even = 2300/21 109.52381 Units
New profit = (400-109.52381) x 21 = $6100
1 1 1 1
Candidate may round B/E to 109 or 110 in which case accept answer of 6090 or 6111
OR
Profit = Sales - (VC +FC)
=400 x 30 - ((400 x 9) + 2300)
=12000 -(3600 + 2300) = $6100
1 1 1 1 (4)



(ii) Larry Ltd - Break-even chart




Marks - 1 for heading, 1 for BEP, 1 each for titles on axes, 1 each for lines with titles
to maximum (6)

(c)
(i) Fixed costs remain fixed for all levels of activity
(ii) Unit variable costs remain constant
(iii) Unit selling price remains constant
(iv) All costs can be separated into fixed or variable
Etc

1 each to a maximum of (4)

**Total** [30]

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

**A1** **(a)** Killim and Jaro

Profit and Loss and Appropriation account for the year ended 30 September 2007

| | | $ | $ | |
|---|---|---|---|---|
| Gross profit | | | 61 400 | **1** |
| Discount received | | | 1 910 | **1** |
| Bank interest | | | 1 320 | **1** |
| | | | 64 630 | |
| General expenses | | 9 100 | | **1** |
| Rent, rates and insurance (1215+300) | | 1 515 | | **1** |
| Discount allowed | | 2 010 | | **1** |
| Wages (14 150 – 450) | | 13 700 | | **1** |
| Provision for depreciation on fixtures | | 3 275 | 29 600 | **1** |
| Net profit | | | 35 030 | |
| Interest on drawings | Killim | 488 | | **1** |
| | Jaro | 564 | 1 052 | **1** |
| | | | 36 082 | |
| Interest on capital | Killim | 6 000 | | **1** |
| | Jaro | 2 750 | | **1** |
| | | 8 750 | | |
| Salary – Jaro | | 20 000 | 28 750 | **1** |
| | | | 7 332 | **1of** |
| Share of residue | Killim | 4 888 | | **1of** |
| | Jaro | 2 444 | 7 332 | **1of** |

Marks [16]

**(b)** Current account – Jaro

| | $ | | $ | |
|---|---|---|---|---|
| Balance b/d | 1 147 | Share of residue | 2 444 | **1+1of** |
| Drawings | 14 100 | Salary | 20 000 | **1+1** |
| Interest on drawings | 564 | Interest on capital | 2 750 | **1+1** |
| Balance c/d | 9 383 | | | **1** |
| | 25 194 | | 25 194 | |
| | | Balance b/d | 9 383 | **1of** |



Marks [8]

**(c)** **(i)** Each partner brings in more cash. Control retained, but assumes partners have more cash to invest.

**(ii)** Bring in a new general partner. Eases workload but less share of profits.

**(iii)** Form private limited company. Smaller share of profit and possibly no easing of workload.

**(iv)** Long-term loan. Fixed interest, allows forward planning but **must** be paid.

Etc.

One mark for method, one for each valid point to maximum of three per suggestion. Marks [6]

**Total [30]**

**A2 (a)**

| | $ | |
|---|---|---|
| Cash takings | 273 200 | **1** |
| Drawings | 14 400 | **1** |
| Petrol | 960 | **1** |
| General expenses | 1 100 | **1** |
| Wages | 12 000 | **1** |
| Sales | 301 660 | **1of** |
| | | Marks [6] |

**(b)**

Gabriel
Trading, Profit and Loss Account for year ended 30 September 2007

| | $ | $ | |
|---|---|---|---|
| Sales | | 301 660 | **1of** |
| less Cost of sales | | | |
| Opening stock | 22 000 | | |
| Purchases (21 200 + 182 600) | 203 800 | | **2** |
| | 225 800 | | |
| less Closing stock | 31 250 | 194 550 | **1of** |
| Gross Profit | | 107 110 | **1of** |
| Electricity | 2 400 | | **1** |
| Van maintenance | 250 | | **1** |
| General expenses (2620+1100) | 3 720 | | **2** |
| Wages | 12 000 | | **1** |
| Bad debts (5010-3040) | 1 970 | | **2** |
| Petrol | 960 | | **1** |
| Provision for depreciation on van | 1 700 | 23 000 | **1** |
| Net profit | | 84 110 | **1of** |
| | | | Marks [15] |



**(c)**

| | | | | |
|---|---|---|---|---|
| Gross profit/sales | $\frac{107\,110}{301\,660}$ | 35.51 | % | **2of** |
| Net profit/sales | $\frac{84\,110}{301\,660}$ | 27.88 | % | **2of** |
| Stockturn (weeks) | $\frac{26\,625 \times 52}{194\,550}$ | 7.12 | weeks | **2of** |
| | | | | Marks [6] |

**(d)** Ratios are used for comparison (a) with other firms of a similar type, (b) with industry standard and (c) with previous years' performance. Etc.

Marks [3]

**Total marks [30]**

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**A3** **(a)**

| | Assembly | Finishing | Maintenance | Canteen | | |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | | |
| Allocated overheads | 28 100 | 30 200 | 9 400 | 11 000 | | **1** |
| Space costs | 15 000 | 19 000 | 10 000 | 11 000 | | **4** |
| Depreciation | 35 000 | 40 000 | 20 000 | 25 000 | | **4** |
| Canteen | 18 800 | 16 920 | 11 280 | -47 000 | | **4** |
| Maintenance | 30 408 | 20 272 | -50 680 | 0 | | **3** |
| Total | 127 308 | 126 392 | 0 | 0 | For both | **1** |
| | | | | | Marks | **[17]** |

**(b)(i)** Wage costs - Assembly

| | | | | |
|---|---|---|---|---|
| 12000x20 | 240 000 | | 127 308 | **1of** |
| 10000x13 | 130 000 | | 440 000 | **1** |
| 5000x14 | 70 000 | | | |
| Total | 440 000 | $0.29 per $ labour costs | | **1of** |

**(ii)** Machine hour costs - Finishing

| | | | | |
|---|---|---|---|---|
| 12000x2 | 24 000 | | 126 392 | **1of** |
| 10000x3 | 30 000 | | 74 000 | **1** |
| 5000x4 | 20 000 | | | |
| Total | 74 000 | $1.71 per m/c hour | | **1of** |
| | | | Marks | **[6]** |

**(c)** Assembly department is labour intensive **1**
Finishing department is capital intensive (accept machine intensive) **1**

Marks **[2]**



**(d)** Cost of a two-seat bench

| | | | | | |
|---|---|---|---|---|---|
| | | $ | | $ | |
| Materials | | 25.00 | | 25.00 | **1** |
| Labour - Assembly | | 13.00 | | 13.00 | **1** |
| Labour - finishing | | 4.00 | | 4.00 | **1** |
| Overheads - Assembly | 13 x 0.29 | 3.77 | **OR** | 3.76 | **1of** |
| Overheads - finishing | 3 x 1.71 | 5.13 | **OR** | 5.12 | **1of** |
| | | 50.90 | | 50.88 | |

**Accept approximate answers for overheads and hence for totals** Marks **[5]**

**Total** **[30]**

**(d)** Alternative method using totals

| | | | | |
|---|---|---|---|---|
| | $ | | | |
| Materials | 250 000 | | | **1** |
| Labour - Assembly | 130 000 | | | **1** |
| Labour - Finishing | 40 000 | | | **1** |
| Prime cost | 420 000 | | | |
| Prod O/head Assembly | 37 700 | | | **1of** |
| Prod O/head Finishing | 51 300 | | | **1of** |
| Total cost | 509 000 | /10 000 = | $50.90 | |

Marks **[5]**

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

**1 (a)**

| | | 2006 | 2007 | 2008 | |
|---|---|---|---|---|---|
| | | $ | $ | $ | |
| Fixed assets | | 750 000 | 870 000 | 1 200 000 | **1** |
| Stocks | | 660 000 | 690 000 | 825 000 | **1** |
| Debtors | | 390 000 | 420 000 | 495 000 | **1** |
| | | 1 800 000 | 1 980 000 | 2 520 000 | |
| Less | Creditors | –346 000 | –404 000 | –448 000 | **1** |
| | Bank overdrafts | –285 000 | –255 000 | –375 000 | **1** |
| | | 1 169 000 | 1 321 000 | 1 697 000 | |
| | Capital accounts | –600 000 | –600 000 | –780 000 | **1** |
| | | 569 000 | 721 000 | 917 000 | |
| | Current accounts | –320 000 | –569 000 | –721 000 | |
| Add back | Drawings | 123 000 | 148 000 | 218 000 | **3** |
| | Salary | 45 000 | 60 000 | 65 000 | **3** |
| Profit for year | | 417 000 | 360 000 | 479 000 | |

[12]

**(b) (i)** Capital account – Michael

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 30/9/06 | Bal c/d | 150 000 | | 1/10/05 | Bal b/d | 150 000 | **1** |
| 30/9/07 | Bal c/d | 150 000 | | 1/10/06 | Bal b/d | 150 000 | |
| | | | | 1/10/07 | Bal b/d | 150 000 | |
| 30/9/08 | Bal c/d | 210 000 | **1** | | Bank | 60 000 | **1** |
| | | 210 000 | | | | 210 000 | |
| | | | | 1/10/08 | Bal b/d | 210 000 | |



**(ii)** Current account – Michael

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 30/9/06 | Drawings | 36 000 | **1** | 1/10/05 | Bal b/d | 80 000 | **1** |
| | Bal c/d | 106 000 | **1of** | 30/9/06 | S of Res | 62 000 | **1of** |
| | | 142 000 | | | | 142 000 | |
| 30/9/07 | Drawings | 30 000 | **1** | 1/10/06 | Bal b/d | 106 000 | |
| | Bal c/d | 126 000 | **1of** | 30/9/07 | S of Res | 50 000 | **1of** |
| | | 156 000 | | | | 156 000 | |
| 30/9/08 | Drawings | 8 000 | **1** | 1/10/07 | Bal b/d | 126 000 | |
| | Bal c/d | 187 000 | **1of** | 30/9/08 | S of Res | 69 000 | **1of** |
| | | 195 000 | | | | 195 000 | |
| | | | | 1/10/08 | Bal b/d | 187 000 | **1** |

Alternative current account – Michael

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 30/9/06 | Drawings | 81 000 | 1 | 1/10/05 | Bal b/d | 80 000 | 1 |
| | | | | 30/9/06 | Salary | 45 000 | |
| | Bal c/d | 106 000 | 1of | | S of Res | 62 000 | 1of |
| | | 187 000 | | | | 187 000 | |
| 30/9/07 | Drawings | 90 000 | 1 | 1/10/06 | Bal b/d | 106 000 | |
| | | | | 30/9/07 | Salary | 60 000 | |
| | Bal c/d | 126 000 | 1of | | S of Res | 50 000 | 1of |
| | | 216 000 | | | | 216 000 | |
| 30/9/08 | Drawings | 73 000 | 1 | 1/10/07 | Bal b/d | 126 000 | |
| | | | | 30/9/08 | Salary | 65 000 | |
| | Bal c/d | 187 000 | 1of | | S of Res | 69 000 | 1of |
| | | 260 000 | | | | 260 000 | |
| | | | | 1/10/08 | Bal b/d | 187 000 | 1 |

POSSIBLE LAYOUT USING 3 COLUMNS

| **b (i)** | **2006** | | **2007** | | **2008** | | | **2006** | | **2007** | | **2008** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bal c/d | 150 000 | | 150 000 | | 210 000 | 1 | Bal b/d | 150 000 | 1 | 150 000 | | 150 000 | |
| | | | | | | | Bank | | | | | 60 000 | 1 |



| **b (ii)** | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Draw'gs | 36 000 | 1 | 30 000 | 1 | 8 000 | 1 | Bal b/d | 80 000 | 1 | 106 000 | | 126 000 | |
| Bal c/d | 106 000 | 1of | 126 000 | 1of | 187 000 | | S of R | 62 000 | 1of | 50 000 | 1of | 69 000 | 1of |
| | | | | | **1+1of** | | | | | | | | |

| **OR** | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Draw'gs | 81 000 | 1 | 90 000 | 1 | 73 000 | 1 | Bal b/d | 80 000 | 1 | 106 000 | | 126 000 | |
| Bal c/d | 106 000 | 1of | 126 000 | 1of | 187 000 | | Salary | 45 000 | | 60 000 | | 65 000 | |
| | | | | | **1+1of** | | S of R | 62 000 | 1of | 50 000 | 1of | 69 000 | 1of |

In the alternative answer, drawings may correctly be split into drawings given in question and drawings (salary).

Share of residue is calculated by subtracting Michael's salary from profit for the year and dividing the answer by 6 (his profit-share). [14]

**(c)** The capital account shows the long-term resources invested in the partnership, and there is usually little movement of funds here. The current account shows the profits earned by each partner and the movement of funds such as drawings, interest on drawings, share of residue, interest on capital and partnership salaries.

One mark for each relevant point to a maximum of 4. [4]

**[Total: 30]**

**2 A(a) (i)**

| | Dr($) | | Cr($) | Balance($) | |
|---|---|---|---|---|---|
| Credit sales | 33 000 | **1** | | 33 000 | |
| Discount allowed | | **1** | 660 | 32 340 | |
| Bad debts | | **1** | 990 | 31 350 | |
| Receipts from debtors | | **1** | 19 350 | 12 000 | [4] |

**ALTERNATIVE VERSION – ACCEPT EITHER**

| | Dr($) | | Cr($) | Balance($) | |
|---|---|---|---|---|---|
| Credit sales | 33 000 | **1** | | 33 000 | |
| Discount allowed | | **1** | 4 400 | 28 600 | |
| Bad debts | | **1** | 990 | 27 610 | |
| Receipts from debtors | | **1** | 15 610 | 12 000 | [4] |

**(ii)**

| | $ | | |
|---|---|---|---|
| Sales | 220 000 | | |
| Less gross profit | 99 000 | | |
| Cost of sales | 121 000 | **1** | |
| Add closing stock | 19 500 | **1** | |
| Purchases | 140 500 | **1** | [3] |

**(iii)**

| | Dr($) | | Cr($) | Balance($) | |
|---|---|---|---|---|---|
| Credit purchases | | **1of** | 140 500 | 140 500 | |
| Discount received | 2 810 | **1** | | 137 690 | |
| Payments to creditors | 126 690 | **1of** | | 11 000 | [3] |



Must use purchases figure from **(ii)** or no own figures

**(b) (i)** Trading and profit & loss account for year ending 30 November 2009

| | | $ | $ | |
|---|---|---|---|---|
| Sales | | | 220 000 | |
| Less cost of sales | | | | |
| Purchases | | 140 500 | | |
| Less closing stock | | 19 500 | 121 000 | |
| Gross profit | **1** | | 99 000 | |
| Discount received | **1** | | 2 810 | |
| | | | 101 810 | |
| Discount allowed | **1** | 4 400 | | |
| Wages and salaries | **1** | 19 800 | | |
| Bad debts | **1** | 990 | | |
| Sundry expenses | **1** | 11 000 | | |
| Depreciation – motor vehicles | **1** | 8 000 | | |
| Depreciation – fixtures and fittings | **1** | 3 600 | 47 790 | |
| Net profit | | | 54 020 | [8] |

**ACCEPT 660 FOR DISCOUNT ALLOWED**

Net profit will then be $57 760

**(ii)** Balance sheet at 30 November 2009

| | $ | | $ | $ | |
|---|---|---|---|---|---|
| **Fixed assets** | Cost | | Depreciation | Net book value | |
| Land and buildings | 70 000 | | | 70 000 | **1** |
| Motor vehicle | 20 000 | | 8 000 | 12 000 | **1** |
| Fixtures and fittings | 18 000 | | 3 600 | 14 400 | **1** |
| | 108 000 | | 11 600 | 96 400 | |
| **Current assets** | | | | | |
| Stock | 19 500 | | | | |
| Debtors | 12 000 | | | | |
| Bank | 71 718 | **1of** | 103 218 | | |
| **Amounts due over one year** | | | | | |
| Creditors | | | 11 000 | | |
| Net current assets | | | | 92 218 | |
| | | | | 188 618 | |
| **Proprietor's interest** | | | | | |
| Capital at 1 December 2008 | | | | 150 000 | |
| Net profit | | **1of** | | 54 020 | |
| | | | | 204 020 | |
| Less drawings | | **1of** | | 15 402 | |
| | | | | 188 618 | [6] |



**B** **BANK IS A BALANCING FIGURE AND CAN ONLY BE AWARDED IF THE TOTALS OF BOTH SECTIONS OF THE BALANCE SHEET AGREE.**
**DRAWINGS MUST BE 10,000 + 10% OF NET PROFIT**

Stock wastage
Stock pilferage
Sales price reduced
Purchase price increased
Opening stock overstated
Closing stock understated
Theft from till
Sales mix altered
Increased carriage in
Increased expenses
More bad debt
Etc.
Any six points to a maximum of 6

**[Total: 30]**

**3 (a)**

| | | |
|---|---|---|
| FC/c = 400000/(35-9-11) = | 26666.67 units = | $933,333 |
| **1** **1** | 26 667 units = | $93,345 |
| | **1** | **1** |

[4]

Accept above figures or approximations of them. Candidates may use the C/S formula which, if rounded, could lead to a **correc**t dollar figure of 930232.
Accept this and other approximations but do check workings.
WORKINGS ARE WORTH 2 MARKS WHETHER SHOWN OR NOT, SO **EITHER** FIGURE IS WORTH 3 MARKS PLUS 1 MARK FOR THE OTHER FIGURE.

**(b)**

| Three months ended | 28 February | | 31 May | | 31 August | |
|---|---|---|---|---|---|---|
| | $000 | | $000 | | $000 | |
| Marginal costing | | | | | | |
| Sales | 2 100 | **1** | 2 800 | **1** | 1 575 | **1** |
| Opening stock | 300 | **1** | 0 | | 700 | |
| Production variable costs | 900 | **1** | 2 300 | **1** | 600 | **1** |
| | 1 200 | | 2 300 | | 1 300 | |
| Closing stock | 0 | | 700 | **1** | 400 | **1** |
| | 1 200 | | 1 600 | | 900 | |
| Contribution | 900 | | 1 200 | | 675 | |
| Fixed costs | 400 | | 400 | | 400 | **1 all three** |
| Profit | 500 | **1of** | 800 | **1of** | 275 | **1of** |

[13]

Stocks are calculated on the basis of $20 per unit – i.e. no fixed costs
DO NOT MIX AND MATCH THE ABOVE VERSION WITH THOSE BELOW –
IF *ANY* STOCKS ARE SHOWN THEN PRODUCTION COSTS MUST BE AS ABOVE.



**ALTERNATIVE VERSION**

| | | February | | | March | | | April | |
|---|---|---|---|---|---|---|---|---|---|
| Sales | | 2 100 | **1** | | 2 800 | **1** | | 1575 | **1** |
| Less | 540 | | **1** | 720 | | **1** | 405 | | **1** |
| | 660 | 1 200 | **1** | 880 | 1 600 | **1** | 495 | 900 | **1** |
| Contribution | | 900 | | | 1 200 | | | 675 | |
| Fixed o'heads | | 400 | | | 400 | **1 all three** | | 400 | |
| | | 500 | **1of** | | 800 | **1of** | | 275 | **1of** |

[13]

In the last version, candidates have (correctly) multiplied the **individual** figures of selling price, direct material and direct labour by 60 000, 80 000 and 45 000.
**IF YOU SEE THE ABOVE CONTRIBUTION FIGURES, THEY ARE WORTH A TOTAL OF 9 MARKS.**

**OTHER VERSIONS SUCH AS USE OF UNIT CONTRIBUITION ARE ACCEPTABLE.**

**(c)** Absorption costing

| | | | | | | |
|---|---|---|---|---|---|---|
| Sales | 2 100 | | 2 800 | | 1 575 | |
| Opening stock | 375 | **1** | 0 | | 875 | |
| Production variable costs | 900 | | 2 300 | | 600 | **1 of all three** |
| Fixed costs | 400 | | 400 | | 400 | |
| | 1 675 | | 2 700 | | 1 875 | |
| Closing stock | 0 | | 875 | **1** | 500 | **1** |
| | 1 675 | | 1 825 | | 1 375 | |
| Profit | 425 | **1of** | 975 | **1of** | 200 | **1of** |

Stocks are calculated on the basis of $20 variable + $5 fixed costs = $25 per unit. [7]

**OTHER METHODS ARE ACCEPTABLE**

**(d)** Reconciliation

| | | | | | | |
|---|---|---|---|---|---|---|
| Profit per marginal costing | 500 | | 800 | | 275 | |
| + overhead in closing stock | 0 | **1** | 175 | **1** | 100 | **1** |
| | 500 | | 975 | | 375 | |
| – overhead in opening stock | 75 | **1** | 0 | **1** | 175 | **1** |
| Profit per absorption costing | 425 | | 975 | | 200 | |



Candidates may correctly reverse the order, i.e. deduct closing stock first. [6]

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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# MARK SCHEME for the October/November 2009 question paper for the guidance of teachers

## 9706 ACCOUNTING

**9706/11** Paper 11 (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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| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE A/AS LEVEL – October/November 2009 | 9706 | 11 |

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

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# MARK SCHEME for the October/November 2009 question paper for the guidance of teachers

## 9706 ACCOUNTING

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

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| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE A/AS LEVEL – October/November 2009 | 9706 | 12 |

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

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# MARK SCHEME for the October/November 2009 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

**9706/21** Paper 21 (Structured Questions), 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)**

| | $ | $ | |
|---|---|---|---|
| Bank | 5 000 | | |
| Stock | 45 000 | | |
| Debtors | 52 000 | | |
| Prepayments | 3 000 | | |
| Vehicles | 40 000 | | |
| Fixtures | 30 000 | | |
| Electricity | | 5 000 | |
| Creditors | | 35 000 | |
| | 175 000 | 40 000 | |
| | | | |
| Total partnership | | 135 000 | |
| Current accounts (net) | | 15 000 | |
| Total of capital accounts | | 120 000 | |
| | | | |
| Capital Rahul | | 80 000 | (2) |
| Shivam | | 40 000 | (2) |

[4]

**(b)** Trading, profit & loss and appropriation accounts for the year ended 31 March 2009.

| | | | $ | $ | |
|---|---|---|---|---|---|
| Sales (805 000 – 52 000 + 63 000) | | | | 816 000 | (3) |
| Less cost of sales | | | | | |
| Opening stock | | | 45 000 | | |
| Purchases (600 000 – 35 000 + 41 000) | | | 606 000 | | (3) |
| | | | 651 000 | | |
| Closing stock | | | 48 000 | 603 000 | |
| Gross profit | | | | 213 000 | |
| | | | | | |
| Electricity (25 000 – 5 000 + 6 000) | | | 26 000 | | (3) |
| Rent & rates (34 000 + 3 000 – 2 000) | | | 35 000 | | (3) |
| Insurance | | | 14 500 | | (1) |
| General expenses | | | 14 000 | | (1) |
| Depreciation vehicles | | | 20 000 | | (1) |
| fixtures and fittings | | | 2 000 | 111 500 | (1) |
| Net profit | | | | 101 500 | (1 of) |
| Interest on capital | Rahul | 8 000 | | | |
| | Shivam | 4 000 | 12 000 | | (1 of) |
| Salaries | Rahul | 25 000 | | | |
| | Shivam | 30 000 | 55 000 | 67 000 | (1) |
| | | | | 34 500 | |
| Share of residue | Rahul | | 23 000 | | |
| | Shivam | | 11 500 | 34 500 | (1 of) |

[20]

**(c)** Rahul's current account

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Drawings | 25 000 | (1) | Bal b/d | 15 500 | (1) | |
| | | | Int on cap | 8 000 | (1 of) | |
| | | | Salaries | 25 000 | (1) | |
| Bal c/d | 46 500 | (1 of) | Share of R | 23 000 | (1 of) | |
| | 71 500 | | | 71 500 | | |
| | | | Bal b/d | 46 500 | | [6] |

**[Total: 30]**

Closing balance sheet as proof (not for marking)

| | | | | |
|---|---|---|---|---|
| FA | Vehicles | | | 80 000 |
| | F & F | | | 28 000 |
| | | | | 108 000 |
| CA | Stock | 48 000 | | |
| | Debtors | 63 000 | | |
| | Bank | 7 500 | | |
| | Prepaid | 2 000 | 120 500 | |
| CL | Creditors | 41 000 | | |
| | Accrued | 6 000 | 47 000 | |
| NCA | | | | 73 500 |
| | | | | 181 500 |
| Capital accounts | Rahul | | 80 000 | |
| | Shivam | | 40 000 | 120 000 |
| Current accounts | Rahul | | 46 500 | |
| | Shivam | | 15 000 | 61 500 |
| | | | | 181 500 |

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**2** **(a)** Café trading account for the year ended 30 September 2009

| | $ | $ | $ | $ | | |
|---|---|---|---|---|---|---|
| Sales | | | | 94 320 | | |
| Cost of sales | | | | | | |
| Opening stock | | | 9 500 | | | |
| Purchases | | 43 500 | | | | |
| | 7 900 | | | | | |
| | 6 700 | 1 200 | 44 700 | | (2) | |
| | | | 54 200 | | | |
| Closing stock | | | 10 500 | 43 700 | | |
| | | | | 50 620 | | |
| Wages | | | | 23 500 | (1) | |
| Profit | | | | 27 120 | (1 of) | [4] |

**(b)** Income and expenditure account for the year ended 30 September 2009

| | $ | $ | | |
|---|---|---|---|---|
| INCOME | | | | |
| Subscriptions – ordinary | | | | |
| (31 200 + 2 200 + 2 600 – 2 400 – 2 800) | | 30 800 | (5) | |
| Subscriptions – life (5 × 2 000)/20 | | 500 | (1) | |
| Dinner dance (6 000 – 5 230) | | 770 | (1) | |
| Café profit | | 27 120 | | |
| Interest on deposit account | | 4 500 | | |
| | | 63 690 | | |
| Less EXPENDITURE | | | | |
| Greenkeepers' wages | 25 000 | | | |
| Insurance (3 450 + 430 – 550) | 3 330 | | (1) | |
| Depreciation (26 200 + 2 150 – 25 400) | 2 950 | | (1) | |
| Secretary's honorarium | 2 000 | | | |
| General expenses | 8 950 | | | |
| Clubhouse repairs | 3 540 | | | |
| Clubhouse rates (4 500 – 900 + 950) | 4 550 | 50 320 | (1) | |
| Surplus | | 13 370 | | [10] |

**(c)** Balance sheet at 30 September 2009

| | $ | $ | $ | |
|---|---|---|---|---|
| Fixed assets | | | | |
| Clubhouse | | | 120 000 | |
| Furniture and fittings | | | 25 400 | |
| | | | 145 400 | (1) |
| Current assets | | | | |
| Stock | 10 500 | | | |
| Bank current account | 10 980 | | | |
| Bank deposit account | 110 190 | | | (1) |
| Cash | 530 | | | |
| Prepayment | 550 | | | |
| Subs due | 2 600 | 135 350 | | (1) |
| Current liabilities | | | | |
| Creditors | 7 900 | | | |
| Accrual | 950 | | | |
| Subs prepaid | 2 400 | 11 250 | | (1) |
| Net current assets | | | 124 100 | (1 of) |
| | | | 269 500 | |
| Accumulated fund at 1 October 2008 | | | 246 630 | (6) |
| Surplus | | | 13 370 | |
| Life members' fund | | | 9 500 | (1) |
| | | | 269 500 | [12] |

**(d)** Advantages



Show cash position
Easy to record

Disadvantages

Capital and revenue expenditure not separated
Depreciation ignored

Any two sensible advantages and disadvantages acceptable.
Not more than two of each. [4]

**[Total: 30]**

Accumulated fund at 1/10/08

| | | | |
|---|---|---|---|
| Clubhouse | 120 000 | Accruals | 900 |
| Stock | 9 500 | Crs | 6 700 |
| Prepaid | 430 | Subs prepaid | 2 200 |
| F & F | 26 200 | | |
| Subs due | 2 800 | | |
| Cash | 850 | | |
| Bank current a/c | 12 150 | | |
| Bank deposit a/c | 84 500 | Accumulated fund | 246 630 |
| | 256 430 | | 256 430 |

1 mark for every correct pair

**3** **(a)** Number of hours worked

| | | | |
|---|---|---|---|
| Athol | 5 000 | (1) | |
| Brose | 3 250 | | |
| Crowdie | 5 500 | | |
| Total | 13 750 | (1) | [2] |

**(b)** Contribution per DL hour

| | | | | |
|---|---|---|---|---|
| Athol | $\frac{(120\,000 - 108\,000)}{5\,000}$ | \$2.40 | (2) | |
| Crowdie | $\frac{(88\,000 - 60\,500)}{5\,500}$ | \$5.00 | (2) | [4] |

**(c)**

| | Units produced | | DL hours | Units per DL hour | | |
|---|---|---|---|---|---|---|
| Athol | $\frac{120\,000}{3}$ | 40 000 | 5 000 | 8 | (3) | |
| Brose | $\frac{91\,000}{7}$ | 13 000 | 3 250 | 4 | (3) | |
| Crowdie | $\frac{88\,000}{4}$ | 22 000 | 5 500 | 4 | (3) | [9] |

**(d)** Brose's variable costs are greater than its sales; contribution is negative. Or similar answer. [1]



**(e)** Estimated profit statement

| | Athol | Crowdie | Total | | |
|---|---|---|---|---|---|
| | \$ | \$ | \$ | | |
| Sales | 180 000 | 128 000 | 308 000 | (3) | |
| Direct materials | 72 000 | 40 000 | 112 000 | (3) | |
| Direct labour | 30 750 | 32 800 | 63 550 | (3) | |
| Variable overheads | 60 000 | 16 000 | 76 000 | (3) | |
| | 162 750 | 88 800 | 251 550 | | |
| Fixed costs | | | 22 000 | (1) | |
| | | | 273 550 | | |
| Estimated profit | | | \$34 450 | (1 of) | [14] |

**[Total: 30]**

Workings

| | Athol | Crowdie |
|---|---|---|
| Units sold | 60 000 | 32 000 |
| RM unit cost | 1.20 | 1.25 |
| Units per hour | 8 | 4 |
| Rate per DL hour | 4.10 | 4.10 |
| Original sales revenue | 120 000 | 88 000 |
| Original V overheads | 40 000 | 11 000 |
| Ratio of Sales rev to var o/heads | 3:1 | 8:1 |

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# MARK SCHEME for the October/November 2009 question paper

# for the guidance of teachers

## 9706 ACCOUNTING

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

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1 (a) The amount of a liability may be determined with some accuracy **(1)** e.g. rent accrued at the year-end (or other relevant example) **(1)** whereas the amount of a provision is not readily determinable **(1)**.

Any three to a maximum of [3]

(b) Total sales:

| | +$000 | –$000 | $000 | |
|---|---|---|---|---|
| Paid into bank | | | 2 950 | |
| Sale of furniture and equipment | | 50 | | |
| Cash used for expenses | 152 | | | **1** |
| Cash taken for drawings | 70 | | | **mark** |
| Debtors at beginning of year | | 610 | | **for** |
| Debtors at end of year | 400 | | | **any** |
| Cash at beginning of year | | 6 | | **two** |
| Cash at end of year | 5 | | | |
| | 627 | 666 | (39) | |
| | | | 2 911 | |

**Any reasonable format is acceptable** [4]

(c) Bank account

| | $000 | $000 | $000 | |
|---|---|---|---|---|
| Balance b/f | | | (210) | **1** |
| Takings (2 950 – 50) | 2 900 | | 2 690 | **mark** |
| Furniture and equipment | 50 | | 2 740 | **for** |
| Paid creditors | | 1 750 | 990 | **any** |
| Expenses | | 810 | 180 | **two** |
| Interest | | 30 | 150 | |



**Does not need to be in account format** [3]

(d) Trading and profit and loss account for the year ended 30 April 2009

| | $000 | $000 | |
|---|---|---|---|
| Sales | | 2 911 | **(1 of)** |
| Less cost of sales | | | |
| Opening stock | 1 500 | | |
| Add purchases (1 750 + 510 – 920) | 1 340 | | **(2)** |
| | 2 840 | | |
| Less closing stock | 720 | 2 120 | |
| Gross profit | | 791 | |
| Add profit on sale of furniture and equipment | | 2 | **(1)** |
| | | 793 | |
| Expenses (810 – 98 + 90 + 152) | 954 | | **(3)** |
| Interest paid | 30 | | **(1)** |
| Depreciation | | | |
| Furniture & equipment (208 – 48) × 25% | 40 | | **(2)** |
| Motor vehicle (12 × 25%) | 3 | | **(1)** |
| Provision for doubtful debts (400 × 4%) | 16 | 1 043 | **(1)** |
| Net loss | | –250 | |

[12]

**(e)** Summary of balance sheet at 30 April 2009

| | $000 | $000 | $000 | |
|---|---|---|---|---|
| Fixed assets | | | | |
| Furniture and equipment (208 – 48 – 40) | | | 120 | **(2)** |
| Motor vehicle (12 – 3) | | | 9 | **(1)** |
| | | | 129 | |
| Current assets | | | | |
| Stock | | 720 | | |
| Debtors (400 – 16) | | 384 | | **(1)** |
| Bank | | 150 | | **(1 of)** |
| Cash | | 5 | 1 259 | |
| | | | 1 388 | |
| Financed by: | | | | |
| Capital at 1 May 2008 | | | 1 096 | |
| Motor vehicle introduced | | | 12 | **(1)** |
| | | | 1 108 | |
| Less | | | | |
| Net loss | | 250 | | **(1 of)** |
| Drawings | | 70 | 320 | **(1)** |
| | | | 788 | |
| Current liabilities | | | | |
| Creditors for supplies | | 510 | | |
| Creditors for expenses | | 90 | 600 | |
| | | | 1 388 | [8] |

**[Total: 30]**

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**2 (a) (i)** Furniture and equipment account

| | | $000 | | | | $000 | | |
|---|---|---|---|---|---|---|---|---|
| 2008 | | | | 2008 | | | | |
| 1 May | Balance b/d | 2 970 | **(1)** | 3 Sep | Disposal | 300 | **(1)** | |
| 1 June | Bank | 540 | **(1)** | 2009 | | | | |
| 3 Dec | Bank | 80 | **(1)** | 30 Apr | Balance c/d | 3 290 | | |
| | | 3 590 | | | | 3 590 | | |
| 2009 | | | | | | | | |
| 1 May | Balance b/d | 3 290 | **(1)** | | | | | [5] |

**(ii)** Motor vehicles account

| | | $000 | | | | $000 | | |
|---|---|---|---|---|---|---|---|---|
| 2008 | | | | 2009 | | | | |
| 1 May | Balance b/d | 1 800 | **(1)** | 1 Feb | Disposal | 56 | **(1)** | |
| 2009 | | | | | | | | |
| 1 Feb | Bank | 240 | **(1)** | 30 Apr | Balance c/d | 1 984 | | |
| | | 2 040 | | | | 2 040 | | |
| 1 May | Balance b/d | 1 984 | **(1)** | | | | | [4] |

**(iii)** Provision for depreciation on furniture and equipment account

| | | $000 | | | | $000 | | |
|---|---|---|---|---|---|---|---|---|
| 2008 | | | | 2008 | | | | |
| 3 Sep | Disposal | 90 | **(1)** | 1 May | Balance b/d | 897 | **(1)** | |
| 2009 | | | | 2009 | | | | |
| 30 Apr | Balance c/d | 1 136 | | 30 Apr | Profit & loss | 329 | **(1)** | |
| | | 1 226 | | | | 1 226 | | |
| | | | | 1 May | Balance b/d | 1 136 | **(1)** | [4] |



**(iv)** Provision for depreciation on motor vehicles account

| | | $000 | | | | $000 | | |
|---|---|---|---|---|---|---|---|---|
| 2009 | | | | 2008 | | | | |
| 1 Feb | Disposal | 42 | **(1)** | 1 May | Balance b/d | 840 | **(1)** | |
| | | | | 2009 | | | | |
| 30 Apr | Balance c/d | 1 294 | | 30 Apr | Profit & loss | 496 | **(1)** | |
| | | 1 336 | | | | 1 336 | | |
| | | | | 1 May | Balance b/d | 1 294 | **(1)** | [4] |

**(v)** Disposal of furniture and equipment account

| | | $000 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2008 | | | | 2008 | | | | |
| 3 Sep | Asset a/c | 300 | **(1)** | 3 Sep | Depreciation | 90 | **(1)** | |
| | | | | | Bank | 132 | **(1)** | |
| | | | | | Profit & loss | 78 | **(1 of)** | |
| | | 300 | | | | 300 | | [4] |

**(iv)** Disposal of motor vehicle account

| | | $000 | | | | $000 | | |
|---|---|---|---|---|---|---|---|---|
| 2009 | | | | 2009 | | | | |
| 1 Feb | Asset a/c | 56 | **(1)** | 1 Feb | Depreciation | 42 | **(1)** | |
| | Profit & loss | 6 | **(1 of)** | | Bank | 20 | **(1)** | |
| | | 62 | | | | 62 | | [4] |

**(b)** Depreciation is an expense used to spread the **net** cost of a fixed asset over its useful life. If, for example, a motor vehicle costing $10 000 is expected to last for five years after which its scrap value will be $1 000, then its net cost will be $(10 000 – 1 000) = $9 000. Using straight-line depreciation, an annual charge of $9 000/5 - $1 800 would be made in the profit and loss account.
There are various correct answers, too numerous to show here. [max. 5]

**[Total: 30]**

**3 (a) (i)** DATA for P235

| | MACHINE A | MACHINE B | MACHINE C | |
|---|---|---|---|---|
| Order quantity | 3 000 | 3 000 | 3 000 | |
| Production rate per hour | 100 | 150 | 200 | |
| Operating hours | 30 | 20 | 15 | |
| Number of operators | 4 | 5 | 6 | |
| Direct labour hours worked | 120 | 100 | 90 | |
| **COSTS FOR P235** | | | | |
| | $ | $ | $ | |
| Direct materials (A × 300/100) | 9 000 | 9 000 | 9 000 | **(3)** |
| Direct labour (Ex 10.50) | 1 260 | 1 050 | 945 | **(3)** |
| Variable overheads (Ex 12) | 1 440 | 1 200 | 1 080 | **(3)** |
| Setup | 200 | 330 | 600 | **(1)** |
| | 11 900 | 11 580 | 11 625 | **(3 of)** |

**(ii)** Use machine B as it costs least. **(1 of)** [14]



**(b)** NEW DATA FOR P235

| | MACHINE A | MACHINE B | MACHINE C | |
|---|---|---|---|---|
| Order quantity | 3 000 | 3 000 | 3 000 | |
| Production rate per hour | 120 | 180 | 240 | |
| Operating hours | 25 | 16.67 | 12.50 | |
| Number of operators | 5 | 6 | 7 | |
| Direct labour hours worked | 125 | 100 | 87.50 | |
| **AMENDED COSTS FOR P235** | | | | |
| | $ | $ | $ | |
| Direct materials | 8 100 | 8 100 | 8 100 | **(3)** |
| Direct labour | 1 312.50 | 1 050 | 918.75 | **(3)** |
| Variable overheads | 1 500 | 1 200 | 1 050 | **(3)** |
| Setup | 200 | 330 | 600 | |
| | 11 112.50 | 10 680 | 10 668.75 | **(3 of)** |

[12]

**(c) (i)** Advise use C as now cheapest. **(2 of)**

**(ii)** Retain additional operator as this brings costs down. **(2 of)** [4]

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

## 9706 ACCOUNTING

**9706/11** 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 October/November 2010 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 – October/November 2010 | 9706 | 11 |

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

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

## 9706 ACCOUNTING

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

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| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE A/AS LEVEL – October/November 2010 | 9706 | 12 |

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

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**
**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the October/November 2010 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 | **C** | 17 | **C** |
| 3 | **D** | 18 | **B** |
| 4 | **B** | 19 | **B** |
| 5 | **A** | 20 | **A** |
| 6 | **C** | 21 | **C** |
| 7 | **B** | 22 | **A** |
| 8 | **B** | 23 | **A** |
| 9 | **D** | 24 | **C** |
| 10 | **B** | 25 | **C** |
| 11 | **C** | 26 | **D** |
| 12 | **D** | 27 | **D** |
| 13 | **C** | 28 | **A** |
| 14 | **B** | 29 | **A** |
| 15 | **C** | 30 | **C** |

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2010 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)** –3810 + 163 100 + 34 000 + 2 680 + 1 200 + 4 100 + 515 + 1 300 = $203 085
Award 1 mark for each correct pair and 1o/f for Total [5]

**(b)** –3 420 + 141 508 + 6 300 + 1 200 + 11 850 + 1 600 – 140 = $158 898
Award 1 mark for each correct pair except for Drawings which gets 1 mark and Total which gets 1o/f [5]

**(c)**

Clara Coyle
Income Statement (trading and profit and loss account)
for the year ended 31 December 2009

| | $ | $ | $ | |
|---|---|---|---|---|
| Revenue (sales) | | | 203 085 | **(1of)** |
| Opening Inventory (Stock) | 24 170 | | | |
| Ordinary goods purchased (Purchases) | 158 898 **(1of)** | | | |
| | | 183 068 | | |
| Less Closing Inventory (Stock) | | 20 600 | | |
| Cost of Sales | | | 162 468 | |
| Gross Profit | | | 40 617 | **(1of)** |
| Discounts received | | 1 600 **(1)** | | |
| | | | 1 600 | |
| | | | 42 217 | |
| Less Expenses | | | | |
| Rates | | 2 800 **(1)** | | |
| General expenses | | 7 490 **(1)** | | |
| Wages | | 22 920 **(1)** | | |
| Depreciation | | 3 000 | | |
| Discounts allowed | | 1 300 **(1)** | | |
| | | | 37 510 | |
| Profit for the year (Net Profit) | | | 4 707 | |

[8]

**(d)**

Clara Coyle
Balance Sheet as at 31 December 2009

| | | | |
|---|---|---|---|
| **Non-Current (Fixed) Assets** | | | |
| | $ | $ | $ |
| Premises | | | 60 000 |
| Fittings | | | 25 000 |
| | | | 85 000 **(1)** |
| **Current Assets** | | | |
| Inventory (stock) | | 20 600 **(1o/f)** | |
| Trade Receivables (debtors) | | 4 100 **(1)** | |
| Rates Prepaid | | 240 **(1)** | |
| Bank | | 31 332 **(1o/f)** | |
| Cash | | 515 **(1)** | |
| | | 56 787 | |
| **Current Liabilities** | | | |
| Trade Payables (creditors) | 11 850 **(1)** | | |
| General expenses | 400 **(1)** | | |
| Wages | 1 620 **(1)** | | |
| | | 13 870 | |
| Working Capital | | | 42 917 |
| Total Assets less current liabilities | | | 127 917 |
| **Non-Current (long term) Liabilities** | | | |
| Loan | | 10 000 **(1)** | |
| | | | 10 000 |
| | | | 117 917 |
| | | | |
| **Financed by:** | | | |
| Capital | | | 117 000 |
| Profit for the year (Net Profit) | | | 4 707 **(1of)** |
| | | | 121 707 |
| Drawings | | | 3 790 **(1)** |
| | | | 117 917 |

[12]

**[Total: 30]**

| Page 4 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2010 | 9706 | 21 |

**2 (a)**

**Subscriptions Account**

| | | | |
|---|---|---|---|
| Balance b/d | 400 **(1)** | Balance b/d | 300 **(1)** |
| Income and Expenditure Account | 2800 **(1of)** | Bank / Cash (300 + 2 200) | 2500 **(2)** |
| | | Bad debt | 100 **(1)** |
| | | Balance c/d | 300 **(1)** |
| | 3,200 | | 3,200 |

[7]

**(b)**

Schubert Music Club
Cafe Trading Account for the year ended 31 December 2009

| | $ | $ | $ |
|---|---|---|---|
| Cafe takings | | | 18 500 **(1)** |
| | | | |
| Opening Inventory (stock) | 4 000 **(1)** | | |
| Purchases (8 400 + 2 200 – 3 000) | 7 600 **(2)** | | |
| | | 11 600 | |
| Closing Inventory (Stock) | | 2 000 **(1)** | |
| Cost of Sales | | | 9 600 |
| Gross Profit | | | 8 900 |
| | | | |
| **Less Expenses** | | | |
| Cafe expenses (4 200 – 1 200 + 50) | | 3 050 **(2)** | |
| Wages – Cafe Staff | | 5 000 | |
| | | | 8 050 |
| Cafe Profit | | | 850 **(1of)** |

[8]

**(c)**

Schubert Music Club
Income and Expenditure Account for the year ended 31 December 2009

| | $ | $ |
|---|---|---|
| **Income** | | |
| Subscriptions | 2 800 **(1of)** | |
| Life Subscriptions (4 000 / 20 = 200) + ((6 × 500) / 20 = 150) = 350 | 350 **(2)** | |
| Cafe Profit | 850 **(1of)** | 4 000 |
| **Expenditure** | | |
| Competition cash prizes | 6 000 **(1)** | |
| Sundries | 2 500 **(1)** | |
| Bad debts | 100 **(1)** | |
| Depreciation – Clubhouse | 2 000 **(1)** | |
| Depreciation – Equipment | 1 000 **(1)** | 11 600 |
| Deficit | | (7 600) |

[9]

**(d)** Increase membership
Increase subscriptions
Encourage life subscriptions
Social events
Or other relevant suggestions
**(3 × 2 marks for analysis) (1 plus 1 for development)** [6]



**[Total: 30]**

**3 (a) (i)** 120 000 **(1)** / (6 **(1)** – 5 **(1)**)
= 120 000 **(1)** units

120 000 × $6 **(1)** = $720 000 **(1of)** [6]

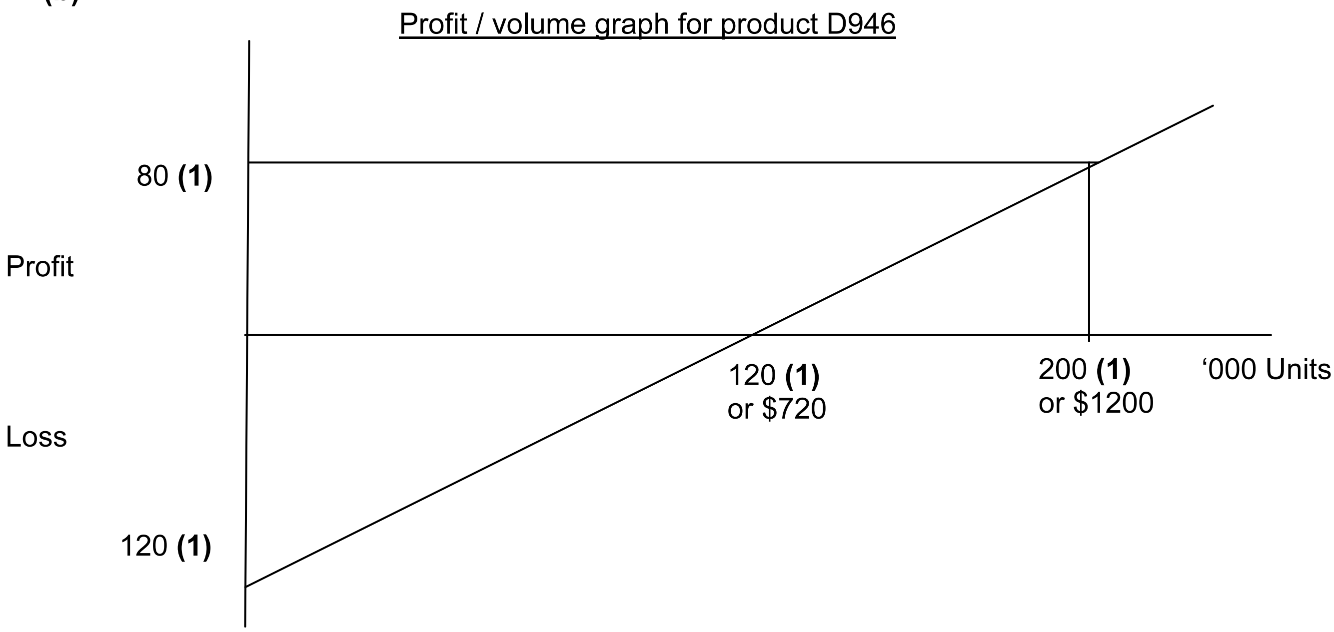
**(ii)**

| | $ | |
|---|---|---|
| Selling Price | 6 | |
| Variable Costs | 5 | |
| Contribution per unit | 1 | **(2 c/f)** |
| Quantity | 200 000 | |
| | 200 000 | |
| Fixed Costs | 120 000 | **(1)** |
| Profit | 80 000 | **(1)** |

[4]

**(iii)** Margin of safety = 200 000 **(1)** – 120 000 **(1of)** = 80 000 units
80 000 / 200 000 **(1)** × 100 = 40% **(1of)** [4]

**(b)**




[4]

**(c)**

| | D946 | | D947 | | D948 | | | |
|---|---|---|---|---|---|---|---|---|
| Selling Price per unit | 6 | | 9 | | 13 | | | |
| Less Variable Costs per unit | 5 | | 10.50 | | 10 | | | |
| Equals Contribution per unit | 1 | | (1.5) | **(1)** | 3 | **(1)** | | |
| × Number of Units | 200 000 | | 50 000 | **(1)** | 30 000 | **(1)** | | |
| Equals Total Contribution | 200 000 | **(1)** | (75 000) | **(1)** | 90 000 | **(1)** | 215 000 | **(1)** |
| Less Fixed Costs | | | | | | | 240 000 | **(1)** |
| Equals Profit / Loss | | | | | | | (25 000) | **(1)** |



**NB Total** figures, that is total sales and total variable costs, are equally acceptable [10]

**(d)** All three products should not **(1)** be produced. D947 should be eliminated as it has a negative contribution **(1)**. [2]

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2010 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)** –3810 + 163 100 + 34 000 + 2 680 + 1 200 + 4 100 + 515 + 1 300 = $203 085
Award 1 mark for each correct pair and 1o/f for Total [5]

**(b)** –3 420 + 141 508 + 6 300 + 1 200 + 11 850 + 1 600 – 140 = $158 898
Award 1 mark for each correct pair except for Drawings which gets 1 mark and Total which gets 1o/f [5]

**(c)**

Clara Coyle
Income Statement (trading and profit and loss account)
for the year ended 31 December 2009

| | $ | $ | $ | |
|---|---|---|---|---|
| Revenue (sales) | | | 203 085 | **(1of)** |
| Opening Inventory (Stock) | 24 170 | | | |
| Ordinary goods purchased (Purchases) | 158 898 **(1of)** | | | |
| | | 183 068 | | |
| Less Closing Inventory (Stock) | | 20 600 | | |
| Cost of Sales | | | 162 468 | |
| Gross Profit | | | 40 617 | **(1of)** |
| Discounts received | | 1 600 **(1)** | | |
| | | | 1 600 | |
| | | | 42 217 | |
| Less Expenses | | | | |
| Rates | | 2 800 **(1)** | | |
| General expenses | | 7 490 **(1)** | | |
| Wages | | 22 920 **(1)** | | |
| Depreciation | | 3 000 | | |
| Discounts allowed | | 1 300 **(1)** | | |
| | | | 37 510 | |
| Profit for the year (Net Profit) | | | 4 707 | |

[8]

**(d)**

Clara Coyle
Balance Sheet as at 31 December 2009

| | | | |
|---|---|---|---|
| **Non-Current (Fixed) Assets** | | | |
| | $ | $ | $ |
| Premises | | | 60 000 |
| Fittings | | | 25 000 |
| | | | 85 000 **(1)** |
| **Current Assets** | | | |
| Inventory (stock) | | 20 600 **(1o/f)** | |
| Trade Receivables (debtors) | | 4 100 **(1)** | |
| Rates Prepaid | | 240 **(1)** | |
| Bank | | 31 332 **(1o/f)** | |
| Cash | | 515 **(1)** | |
| | | 56 787 | |
| **Current Liabilities** | | | |
| Trade Payables (creditors) | 11 850 **(1)** | | |
| General expenses | 400 **(1)** | | |
| Wages | 1 620 **(1)** | | |
| | | 13 870 | |
| Working Capital | | | 42 917 |
| Total Assets less current liabilities | | | 127 917 |
| **Non-Current (long term) Liabilities** | | | |
| Loan | | 10 000 **(1)** | |
| | | | 10 000 |
| | | | 117 917 |
| | | | |
| **Financed by:** | | | |
| Capital | | | 117 000 |
| Profit for the year (Net Profit) | | | 4 707 **(1of)** |
| | | | 121 707 |
| Drawings | | | 3 790 **(1)** |
| | | | 117 917 |

[12]

**[Total: 30]**

2 (a)

**Subscriptions Account**

| | | | |
|---|---|---|---|
| Balance b/d | 400 **(1)** | Balance b/d | 300 **(1)** |
| Income and Expenditure Account | 2800 **(1of)** | Bank / Cash (300 + 2 200) | 2500 **(2)** |
| | | Bad debt | 100 **(1)** |
| | | Balance c/d | 300 **(1)** |
| | 3,200 | | 3,200 |

[7]

(b)

Schubert Music Club
Cafe Trading Account for the year ended 31 December 2009

| | $ | $ | $ |
|---|---|---|---|
| Cafe takings | | | 18 500 **(1)** |
| | | | |
| Opening Inventory (stock) | 4 000 **(1)** | | |
| Purchases (8 400 + 2 200 – 3 000) | 7 600 **(2)** | | |
| | | 11 600 | |
| Closing Inventory (Stock) | | 2 000 **(1)** | |
| Cost of Sales | | | 9 600 |
| Gross Profit | | | 8 900 |
| | | | |
| **Less Expenses** | | | |
| Cafe expenses (4 200 – 1 200 + 50) | | 3 050 **(2)** | |
| Wages – Cafe Staff | | 5 000 | |
| | | | 8 050 |
| Cafe Profit | | | 850 **(1of)** |



[8]

**(c)**

Schubert Music Club
Income and Expenditure Account for the year ended 31 December 2009

| | $ | $ |
|---|---|---|
| **Income** | | |
| Subscriptions | 2 800 **(1of)** | |
| Life Subscriptions (4 000 / 20 = 200) + ((6 × 500) / 20 = 150) = 350 | 350 **(2)** | |
| Cafe Profit | 850 **(1of)** | 4 000 |
| | | |
| **Expenditure** | | |
| Competition cash prizes | 6 000 **(1)** | |
| Sundries | 2 500 **(1)** | |
| Bad debts | 100 **(1)** | |
| Depreciation – Clubhouse | 2 000 **(1)** | |
| Depreciation – Equipment | 1 000 **(1)** | 11 600 |
| Deficit | | (7 600) |

[9]

**(d)** Increase membership
Increase subscriptions
Encourage life subscriptions
Social events
Or other relevant suggestions
**(3 × 2 marks for analysis) (1 plus 1 for development)** [6]



**[Total: 30]**

**3 (a) (i)** 120 000 **(1)** / (6 **(1)** – 5 **(1)**)
= 120 000 **(1)** units

120 000 × $6 **(1)** = $720 000 **(1of)** [6]

**(ii)**

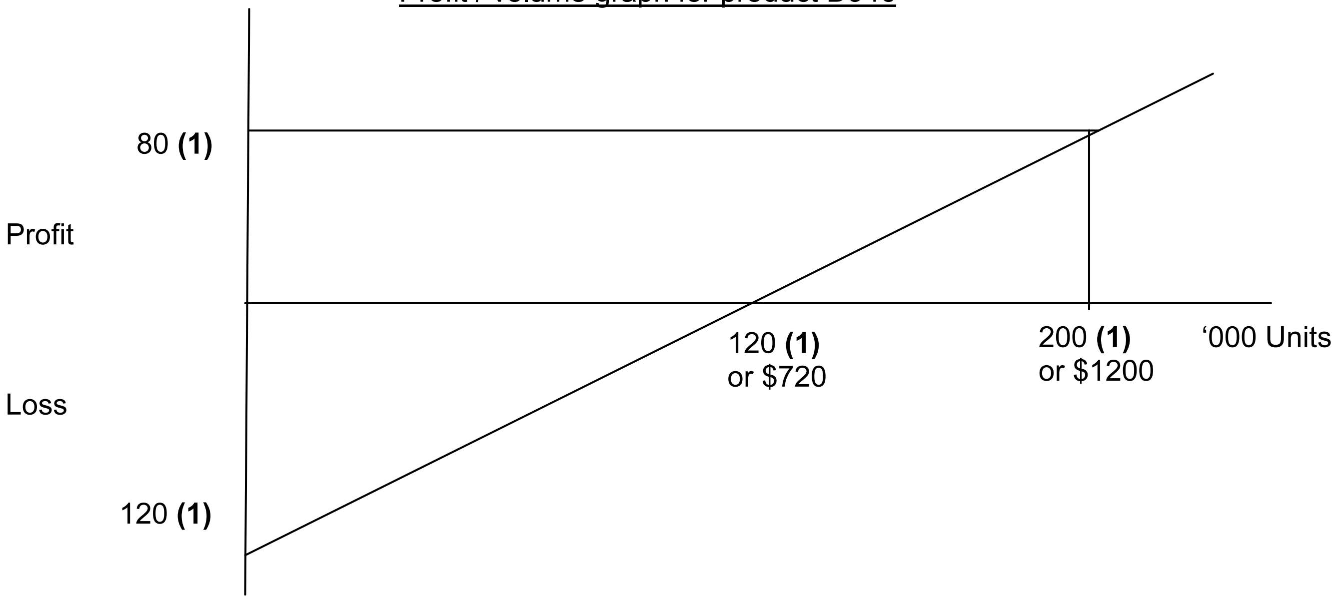
| | $ | |
|---|---|---|
| Selling Price | 6 | |
| Variable Costs | 5 | |
| Contribution per unit | 1 | **(2 c/f)** |
| Quantity | 200 000 | |
| | 200 000 | |
| Fixed Costs | 120 000 | **(1)** |
| Profit | 80 000 | **(1)** |

[4]

**(iii)** Margin of safety = 200 000 **(1)** – 120 000 **(1of)** = 80 000 units
80 000 / 200 000 **(1)** × 100 = 40% **(1of)** [4]

**(b)**

Profit / volume graph for product D946




[4]

**(c)**

| | D946 | | D947 | | D948 | | | |
|---|---|---|---|---|---|---|---|---|
| Selling Price per unit | 6 | | 9 | | 13 | | | |
| Less Variable Costs per unit | 5 | | 10.50 | | 10 | | | |
| Equals Contribution per unit | 1 | | (1.5) | **(1)** | 3 | **(1)** | | |
| × Number of Units | 200 000 | | 50 000 | **(1)** | 30 000 | **(1)** | | |
| Equals Total Contribution | 200 000 | **(1)** | (75 000) | **(1)** | 90 000 | **(1)** | 215 000 | **(1)** |
| Less Fixed Costs | | | | | | | 240 000 | **(1)** |
| Equals Profit / Loss | | | | | | | (25 000) | **(1)** |



**NB Total** figures, that is total sales and total variable costs, are equally acceptable [10]

**(d)** All three products should not **(1)** be produced. D947 should be eliminated as it has a negative contribution **(1)**. [2]

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

## 9706 ACCOUNTING

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

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**1A (a) (i)**

James and Gemma
Income Statement (Trading and Profit and Loss) and Appropriation Account
for the six month period ending 30 June 2009

| | $ | | $ | | $ |
|---|---|---|---|---|---|
| Revenue (sales) | | | | | 90 000 |
| **Less Cost of sales** | | | | | |
| Opening Inventory (Stock) | 6 300 | | | | |
| Purchases | 70 000 | **(1)** | | | |
| | | | 76 300 | | |
| Less Closing Inventory (Stock) | | | 16 300 | | |
| Cost of sales | | | | | 60 000 |
| Gross Profit | | | | | 30 000 |
| **Less Expenses (Working 1)** | | | | | |
| General expenses | | | 6 000 | **(1)** | |
| Depreciation | | | 5 100 | **(1)** | |
| Loan interest | | | 1 350 | **(1)** | |
| | | | | | 12 450 |
| Profit for the year (Net Profit) | | | | | 17 550 |
| **Less Salaries:** | | | | | |
| James | | | 0 | | |
| Gemma | | | 3 000 | **(1)** | |
| | | | 3 000 | | |
| **Less Interest on capital:** | | | | | |
| James (90 000 × 8% × 6 / 12) | 3 600 | **(1)** | | | |
| Gemma (60 000 × 8% × 6 / 12) | 2 400 | **(1)** | | | |
| | | | 6 000 | | |
| | | | | | 9 000 |
| | | | | | 8 550 |
| **Balance of profits shared:** | | | | | |
| James | | | 4 275 | **(1)** | |
| Gemma | | | 4 275 | | |
| | | | | | 8 550 |



**Working 1**

| | | |
|---|---|---|
| Total expenses | 25 525 | |
| Depreciation (1st Half of the Year) | 5 100 | |
| Depreciation (2nd Half of the Year) | 5 725 | |
| Loan Interest | 2 700 | 45 000 × 6% = 2 700pa |
| General Expenses | 12 000 | |

[8]

**(ii)**

James and Gemma
Income Statement (Trading and Profit and Loss) and Appropriation Account
for the six month period ending 31 December 2009

| | $ | | $ | | $ |
|---|---|---|---|---|---|
| Revenue (sales) | | | 150 000 | | |
| **Less Cost of sales** | | | | | |
| Opening Inventory (Stock) | 16 300 | | | | |
| Purchases | 104 000 | | | | |
| | | | 120 300 | | |
| Less Closing Inventory (Stock) | | | 20 300 | | |
| Cost of Sales | | | | | 100 000 |
| Gross Profit | | | | | 50 000 |
| **Less Expenses** | | | | | |
| General expenses | | | 6 000 | **(1)** | |
| Loan interest | | | 1 350 | **(1)** | |
| Depreciation | | | 5 725 | **(1)** | |
| | | | | | 13 075 |
| Profit for the year (Net Profit) | | | | | 36 925 |
| **Less Salaries:** | | | | | |
| James | | | 0 | | |
| Gemma | | | 3 000 | **(1)** | |
| | | | 3 000 | | |
| **Less Interest on capital:** | | | | | |
| James (115 000 x 8% x 6 / 12) | 4 600 | **(1)** | | | |
| Gemma (60 000 x 8% x 6 / 12) | 2 400 | **(1)** | | | |
| | | | 7 000 | | |
| | | | | | 10 000 |
| | | | | | 26 925 |
| **Balance of profits shared: (2 : 2 : 1)** | | | | | |
| James | | | 13 462.50 | | |
| Gemma | | | 13 462.50 | **(1)** | |
| | | | | | 26 925 |

[7]

| Page 4 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2010 | 9706 | 23 |

**(b)**

| | James | | Gemma | | | James | | Gemma | |
|---|---|---|---|---|---|---|---|---|---|
| Drawings | 15 200 | **(1)** | 18 300 | **(1)** | Balance b/d | 12 000 | **(1)** | 9 000 | |
| | | | | | Interest on capital | 8 200 | **(1)** | 4 800 | **(1)** |
| | | | | | Salaries | 0 | | 6 000 | **(1)** |
| Balance c/d | 22 737.50 | | 19 237.50 | | Share of Profit | 17 737.50 | | 17 737.50 | |
| | 37 937.50 | | 37 537.50 | | | 37 437.50 | | 38 037.50 | |
| | | | | | Balance b/d | 22 737.50 | | 19 237.50 | |

[6]

**(c)** Increased skills
Additional capital
Spread risk
Holiday / sickness cover
Shared workload
**(1 each maximum of 3)** [3]

**1B** **(i)** 240 000 / (18 000 + 22 000) / 2 = 12 **(1)** times **(1)**

**(ii)** 24 000 / 500 000 = 4.8 **(1)** % **(1)**

**(iii)** 63 000 / 64 000 = 0.98 **(1)** : 1 **(1)** [6]



**[Total: 30]**

**2** **(a)** 300 units **(1)** @ $20 **(1)** = $6 000 **(2 cf or 1 of)** [4]

**(b)**

Paula Bridgewater
Income Statement (trading account) for the month of February 2009

| | $ | | $ | | $ | |
|---|---|---|---|---|---|---|
| Sales | | | | | 182 000 | **(1)** |
| Opening Inventory (Stock) | 7 000 | **(1)** | | | | |
| Purchases | 97 000 | **(1)** | | | | |
| | | | 104 000 | | | |
| Closing Inventory (Stock) | | | 6 000 | **(1)** | | |
| Cost of Sales | | | | | 98 000 | |
| Gross Profit | | | | | 84 000 | **(1of)** |

[5]

**(c)** Stock should be valued at the lower of cost and net realisable value.
IAS states companies should either use the FIFO or AVCO method of stock valuation.
Whichever method is used should be used consistently – Consistency concept.
Prudence concept states that companies should choose the lowest value when valuing their assets.

**(3 × 2 marks) (1 plus 1 for development)** [6]

**(d)**

Paula Bridgewater
Income Statement (trading account) for the period ending 31 December 2009

| | $ | | $ | | $ | |
|---|---|---|---|---|---|---|
| Sales | | | | | 362 000 | **(1)** |
| Opening Inventory (Stock) | 11 700 | **(1)** | | | | |
| Purchases | 22 600 | **(1)** | | | | |
| | | | 34 300 | | | |
| Closing Inventory (Stock) | | | 7 150 | **(2)** | | |
| Cost of Sales | | | | | 27 150 | |
| Gross Profit | | | | | 9 050 | **(1of)** |



**(Accept any other format or calculation)** [6]

**(e)** Depreciation for the period = (6000 – 600) × 20% × 2/12 = $180 **(2)**
Net Book Value = 3 840 **(1)** – 180 **(1of)** = 3 660 [4]

**(f)**

Total Trade Receivables (debtors)

| | | | | | |
|---|---|---|---|---|---|
| Bal b/d | 2 400 | | Bad debt | 600 | **(1)** |
| | | | Cash / bank | 4 300 | **(1)** |
| Sales | 6 500 | **(1)** | Bal c/d | 4 000 | **(2cf or 1of)** |
| | 8 900 | | | 8 900 | |

[5]

**[Total: 30]**

**3 (a) (i)**

| | | |
|---|---|---|
| Cutting Department | 501 600 / 76 000 | $6.60 **(1)** |
| Pressing Department | 450 000 / 72 000 | $6.25 **(1)** |
| Production Department | 702 000 / 104 000 | $6.75 **(1)** |
| Assembly Department | 264 000 / 44 000 | $6.00 **(1)** |

[4]

**(ii)**

| | | |
|---|---|---|
| Cutting Department | 364 800 / 76 000 | $4.80 per DLH **(1)** |
| Pressing Department | 439 200 / 72 000 | $6.10 per DLH **(1)** |
| Production Department | 509 600 / 104 000 | $4.90 per DLH **(1)** |
| Assembly Department | 233 200 / 44 000 | $5.30 per DLH **(1)** |

[4]

**(b)**

**Statement to show total cost for Job Number SMC20**

| | | | $ | $ | |
|---|---|---|---|---|---|
| Direct materials | | | | 140 156 | **(1)** |
| Direct labour | | | | | |
| Cutting Department | | | 13 200 | | |
| Pressing Department | | | 9 000 | | |
| Production Department | | | 16 200 | | |
| Assembly Department | | | 6 000 | 44 400 | **(1)** |
| Prime cost | | | | 184 556 | |
| Factory overheads | | | | | |
| Cutting Department | 13 200 / 6.60 | = 2 000 (1) × 4.80 | 9 600 | **(1)** | |
| Pressing Department | 9 000 / 6.25 | = 1 440 (1) × 6.10 | 8 784 | **(1)** | |
| Production Department | 16 200 / 6.75 | = 2 400 (1) × 4.90 | 11 760 | **(1)** | |
| Assembly Department | 6 000 / 6.00 | = 1 000 (1) × 5.30 | 5 300 | **(1)** | |
| | | | | 35 444 | |
| Cost of production | | | | 220 000 | **(1of)** |
| Administration costs | | | | 44 000 | **(1of)** |
| Total cost | | | | 264 000 | |

[12]

**(c)** Selling price = 264 000 **(1of)** × 125% **(1)** = $330 000 **(1of)** [3]

**(d)** Overheads tend to be related to time.
The company may be labour intensive
Using a departmental labour rate is appropriate if different grades of labour are used in each department.

**(2 × 2 marks – 1 for point and 1 for development / 1 further mark for evaluation point)**
[5]

**(e)** Single factory rate
Machine hour rate
Unit cost
% prime cost
% direct labour cost
% direct material cost
Activity based costing

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

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

## 9706 ACCOUNTING

**9706/11** 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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| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2011 | 9706 | 11 |

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

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# MARK SCHEME for the October/November 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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| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2011 | 9706 | 12 |

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

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# MARK SCHEME for the October/November 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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| Page 2 | Mark Scheme: Teachers' version | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2011 | 9706 | 13 |

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

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# MARK SCHEME for the October/November 2011 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.

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**1 (a)**

Iqbal
Income Statement (Trading and Profit and Loss Account)
For the year ended 31 March 2011

| | $ | $ | $ |
|---|---|---|---|
| Revenue (sales) (85 000 – 7 200 **(1)** + 8 300 **(1)** + 1 400 **(1)** + 24 000 **(1)**) | | | 111 500 |
| Opening Inventory (Stock) | 8 000 | | |
| Ordinary goods purchased (Purchases) (37 000 – 3 400 **(1)** – 2 400 **(1)** + 3 700 **(1)** + 500 **(1)**) | 35 400 | | |
| | | 43 400 | |
| Less Closing Inventory (Stock) | | 9 200 | |
| Cost of Sales | | | 34 200 |
| Gross Profit | | | 77 300 |
| Discounts received | | 500 **(1)** | |
| | | | 500 |
| | | | 77 800 |
| Less Expenses | | | |
| Motor expenses | | 3 800 **(1)** | |
| Rent | | 5 800 **(1)** | |
| Rates | | 1 700 **(1)** | |
| Wages | | 18 000 **(1)** | |
| Discounts allowed | | 1 400 **(1)** | |
| Loan interest | | 700 **(1)** | |
| Provision for doubtful debts | | 249 **(1)** | |
| Depreciation – Fixtures and fittings | | 8 000 **(1)** | |
| Depreciation – Delivery van | | 2 500 **(1)** | |
| | | | 42 149 |
| Profit for the year (Net Profit) | | | 35 651 |

[18]

**(b)**

Iqbal

Statement of Financial Position (Balance Sheet) at 31 March 2011

| | $ | | $ | | $ | |
|---|---|---|---|---|---|---|
| **Non-Current (Fixed) Assets** | | | | | | |
| Fixtures | | | | | 68 000 | |
| Delivery van | | | | | 7 500 | |
| | | | | | 75 500 | **(1)** |
| **Current Assets** | | | | | | |
| Inventory (stock) | | | 9 200 | **(1)** | | |
| Trade receivables (debtors) | | | 8 051 | **(1)** | | |
| Rent | | | 600 | **(1)** | | |
| Rates | | | 300 | **(1)** | | |
| Cash and cash equivalents (bank) | | | 31 350 | **(1)** | | |
| | | | 49 501 | | | |
| **Current Liabilities** | | | | | | |
| Trade payables (creditors) | 3 700 | **(1)** | | | | |
| Loan interest | 700 | **(1)** | | | | |
| | | | 4 400 | | | |
| Working Capital | | | | | 45 101 | |
| Total Assets less current liabilities | | | | | 120 601 | |
| **Non-Current (long term) Liabilities** | | | | | | |
| Loan | | | 14 000 | **(1)** | | |
| | | | | | 14 000 | |
| | | | | | 106 601 | |
| | | | | | | |
| **Financed by** | | | | | | |
| Capital | | | | | 98 350 | **(1)** |
| Profit for the year (Net Profit) | | | | | 35 651 | **(1of)** |
| | | | | | 134 001 | |
| Drawings | | | | | 27 400 | **(1)** |
| | | | | | 106 601 | |



[12]

**[Total 30]**

**2** **(a)**

| | | | |
|---|---|---|---|
| 16 800 | × 1% = | 168 **(1)** | |
| 12 600 | × 2% = | 252 **(1)** | |
| (7 100 – 700) | × 3% = | 192 **(2)** | |
| 1 300 | × 10% = | 130 **(1)** | |
| | | 742 **(1)** | [6] |

**(b) (i) Must have correct narrative to gain marks.**

Provision for Doubtful Debts

| | $ | | | $ | |
|---|---|---|---|---|---|
| Income Statement | 58 | **(1of)** | Balance b/d | 800 | **(1)** |
| Balance c/d | 742 | **(1of)** | | | |
| | 800 | | | 800 | |

[3]

**(ii)**

Bad Debts

| | $ | | | $ | |
|---|---|---|---|---|---|
| Debbie | 700 | **(1)** | | | |
| Harvey | 450 | **(1)** | Income Statement **(1)** | 1500 | **(1)** |
| Others | 350 | **(1)** | | | |
| | 1500 | | | 1500 | |

[5]



**(iii)**

Harvey

| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance b/d | 600 | **(1)** | Bank | 150 | **(1)** |
| | | | Bad Debts | 450 | **(1)** |
| | 600 | | | 600 | |

[3]

**(c)**

Balance Sheet (extract) at 31 December 2010

| | $ | | |
|---|---|---|---|
| Trade receivables | 37 100 | | |
| Less provision for doubtful debts | 742 | **(1of)** | |
| | 36 358 | **(1of)** | [2] |

**(d) (i)** ($37 100 × 4%) = $1484 – $742 = $742 [2]

**(ii)** Reduce net profit for the year **(1)**
Reduce trade receivables/current assets/balance sheet total **(1)** [2]

**(iii)** Prudence concept **(1)** Current provision $742 is 2% of the debtors **(1)** Actual bad debts are $1500 **(1)** This may suggest the provision is insufficient. **(1)** [4]

**(e)** Past experience
Specific knowledge about a customer
The state of the economy
Consistency concept
Industry average
Length of time
Size of debtors
Comparing with previous years or with competitors. (3 × 1 mark) [3]

**[Total 30]**

**3 (a)**

| | Machining | | Assembly | | Maintenance | | Canteen | |
|---|---|---|---|---|---|---|---|---|
| Brought forward | 143 500 | | 154 700 | | 165 800 | | 176 900 | |
| Maintenance | 99 480 | **(1)** | 49 740 | **(1)** | (165 800) | **(1)** | 16 580 | |
| Canteen | 77 392 | **(1)** | 116 088 | **(1)** | | | (193 480) | **(1)** |
| Total | 320 372 | **(1)** | 320 528 | **(1)** | | | | |

[8]

**(b)** Machining Department = 320 372 **(1of)** / 18 845 **(1)** = $17.00 **(1of)** per machine hour **(1)**

Assembly Department = 320 528 **(1of)** / 20 350 **(1)** = $15.75 **(1of)** per labour hour **(1)** [8]

**(c)** 

| | $ | |
|---|---|---|
| Materials | 12.00 | **(1)** |
| Labour | 56.00 | **(1)** |
| Overheads – machining (17.00 × 3) | 51.00 | **(1of)** |
| Overheads – assembly (15.75 × 4) | 63.00 | **(1of)** |
| Cost per unit | 182.00 | **(1of)** |

[5]

**(d)** 182 **(1of)** × 1.25 **(1)** = $227.50 **(1of)** [3]

**(e)** 640 900 **(1)** / (227.50 **(1of)** – 68.00 **(1of)**) = 4019 (accept 4018.18) units **(1of)** [4]

**(f)** Assumes:
- Everything produced is sold.
- Selling price is linear.
- Variable costs are linear.
- Fixed costs remain unchanged.
- A single product firm.
- Product mix remains constant.
- No semi variable costs.
- No external factors.

Is based on estimates. (2 × 1 mark) [2]

**[Total 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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## 9706 ACCOUNTING

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

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**1 (a)**

Kirsty
Income Statement (trading and profit and loss account)
for the year ended 30 April 2011

| | $ | $ | | $ |
|---|---|---|---|---|
| Revenue (sales) (108 000 – 4 800) | | | | 103 200 **(1)** |
| | | | | |
| Opening Inventory (Stock) | 3 600 | | | |
| Ordinary goods purchased (Purchases) (56 000 – 1 800 **(1)** – 2 500 **(1)**) | 51 700 | | | |
| | | 55 300 | | |
| Less Closing Inventory (Stock) | | 4 200 | | |
| Cost of Sales | | | | 51 100 |
| Gross Profit | | | | 52 100 |
| Discounts received | | 400 | **(1)** | |
| Commission received | | 880 | | |
| Provision for doubtful debts* | | 216 | **(3of)** | |
| | | | | 1 496 |
| | | | | 53 596 |
| Less Expenses | | | | |
| Rent | | 4 000 | | |
| General expenses | | 4 800 | | |
| Insurance | | 2 840 | | |
| Salaries | | 14 000 | | |
| Electricity | | 2 380 | | |
| Motor expenses | | 4 900 | | |
| Bad debts | | 200 | **(1)** | |
| Loan interest | | 1 500 | **(1)** | |
| Carriage outwards | | 700 | | |
| Discounts allowed | | 600 | **(1)** | |
| Depreciation – equipment | | 4 920 | **(1)** | |
| Depreciation – motor vehicles | | 6 300 | **(1)** | |
| | | | | 47 140 |
| Profit for the year (Net Profit) | | | | 6 456 |

**[12]**



* 6200 – 200 – 800 = 5200 × 2% = 104 + 200 = 304 deducted from 520 = 216

**(b)**

Kirsty

Statement of Financial Position (Balance Sheet) at 30 April 2011

| | $ | $ | $ | |
|---|---|---|---|---|
| **Non-Current (Fixed) Assets** | | | | |
| Equipment | | | 29 880 | |
| Motor vehicles | | | 18 900 | |
| | | | 48 780 | **(1)** |
| **Current Assets** | | | | |
| Inventory (stock) | | 4 200 | | |
| Trade receivables (debtors) | | 5 096 | | |
| Insurance prepaid | | 460 **(1)** | | |
| Bank | | 3 400 | | |
| Commission receivable | | 150 **(1)** | | |
| | | 13 306 | | |
| **Current Liabilities** | | | | |
| Trade payables (creditors) | 3 800 | | | |
| Loan interest owing | 250 | | | |
| Electricity owing | 380 **(1)** | | | |
| Loan | 7 500 **(1)** | | | |
| | | 11 930 | | |
| Working capital | | | 1 376 | |
| Total assets less current liabilities | | | 50 156 | |
| **Non-Current (long term) Liabilities** | | | | |
| Loan | | 7 500 **(1)** | | |
| | | | 7 500 | |
| | | | 42 656 | |
| **Financed by:** | | | | |
| Capital | | | 44 000 | |
| Profit for the year (Net Profit) | | | 6 456 | **(1of)** |
| | | | 50 456 | |
| Drawings | | | 7 800 | **(1)** |
| | | | 42 656 | |

**[8]**

**(c)** 54 000 + 1 000 + 2 000 = 57 000 **(2)** **[2]**

**(d)** (57 000 – 4 000 **(1)**) / 5 = 10 600 **(1)** **[2]**

**(e)**

**Disposal of Machinery**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Machinery | 57 000 | **(1)** | Depreciation | 42 400 | **(1)** |
| | | | Bank **(1)** | 12 000 | **(1)** |
| | | | Profit and Loss **(1)** | 2 600 | **(1)** |
| | 57 000 | | | 57 000 | |

**[6]**

**[Total 30]**

**2 (A) (a)**

**Sales Ledger Control Account**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance b/d | 43 900 | **(1)** | Bank | 436 300 | |
| Credit Sales | 522 250 | **(1)** | Returns Inwards | 30 110 | **(1)** |
| Dishonoured Cheques | 2 200 | | Bad Debts | 9 250 | **(1)** |
| Interest charged | 30 | **(1)** | Contra (purchases ledger) | 5 190 | **(1)** |
| | | | Discount allowed | 28 800 | |
| | | | Balance c/d (closing debtors) | 58 730 | |
| | 568 380 | | | 568 380 | |



**[6]**

**Alternative answer**

**Sales Ledger Control Account**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance b/d | 63 530 | **(1)** | Bad debts | 850 | **(1)** |
| Interest charged | 30 | **(1)** | Contra / set off | 1 980 | **(1)** |
| | | | Goods on return basis | 400 | **(1)** |
| | | | Sales returns | 1 600 | **(1)** |
| | | | Balance c/d (closing debtors) | 58 730 | |
| | 568 380 | | | 568 380 | |

**(b)**

Schedule of Trade Receivables (debtors)

| | $ | |
|---|---|---|
| Opening balance | 61 140 | **(1)** |
| Error 1 | 180 | **(1)** |
| Error 3 | –240 | **(2)** |
| Error 4 | –1 980 | **(1)** |
| Error 5 | 30 | **(1)** |
| Error 6 | –400 | **(1)** |
| | 58 730 | **(1of)** |

**[8]**

**(c)** Provides an independent check on the postings in the sales ledger.
Errors in the ledger can be located quickly.
Segregation of duties helps in the prevention of fraud because members of staff who complete the control accounts are not involved in completing the sales ledger.
Totals of trade receivables (debtors) from control accounts can be determined quickly and used in preparation of the trial balance and final accounts.

**(Any two points – 2 each)** **[4]**

**2(B) (a)** Profit for the year = (880 000 × 25%) – 130 000 = \$90 000 **(2)** **[2]**

**(b) (i)** Return on capital employed

$$= \frac{\text{Profit for year}}{\text{Capital Employed}} \times 100$$

$$= \frac{90\,000}{1125\,000} \times 100$$

$$= \underline{\underline{8\%}}\ \textbf{(2of)}$$

**(ii)** Inventory Turnover

$$= \frac{\text{Cost of sales}}{\text{Average stock}}$$

$$= \frac{880\,000}{(45\,000 + 65\,000)/2}$$

$$= \frac{880\,000}{55\,000}$$

$$= \underline{\underline{16\ \text{times}}}\ \textbf{(2)}$$



**(iii)** Liquid (acid test) ratio

$$= \frac{\text{Current Assets} - \text{Closing Stock}}{\text{Current Liabilities}}$$

$$= \frac{(65\,000 + 150\,000) - 65\,000}{100\,000 + 50\,000}$$

$$= \frac{150\,000}{150\,000}$$

$$= \underline{\underline{1:1}}\ \textbf{(2)}$$ **[6]**

**(c)** **<u>Paradis Foods</u>**

1. The return on capital employed is high at 15%. It is higher than S Turner is currently obtaining.
2. The current ratio is good and possibly too high with excess stock. The level of the current ratio is well in excess of S Turners'.
3. The liquid ratio seems low for a general trading business.

**<u>Jones Wholesaler</u>**

1. The return on capital employed is low at 6%. It is much lower than S Turner is currently obtaining.
2. The current ratio is good and within the range of 1.5 and 2.0 that we would expect to see.
3. The liquid ratio is high at 1.4 : 1 indicating high debtors or cash.

**(Any three points – 1 each + 1of for decision)** **[4]**

**[Total 30]**

**3 (a) (i)** Selling price per unit 35 **(1)**

Variable costs per unit

| | | |
|---|---|---|
| Direct materials | 8 **(1)** | |
| Direct labour | 10 **(1)** | |
| Direct overheads | 2 **(1)** | |
| | | 20 |
| Contribution per unit | | 15 **(1of)** |

**[5]**

**(ii)** 180 000 **(1)** / 15 **(1of)**
= 12 000 **(1of)** units **[3]**

**(iii)** Margin of safety = 25 000 **(1)** – 12 000 **(1of)** = 13 000 units
13 000 / 25 000 **(1)** × 100 = 52% **(1of)** **[4]**

**(b)** Depreciation
Admin costs
Insurance
Rates
Loan interest
Rent
Advertising/marketing
Indirect wages
**Or other suitable alternative.**

**(Any three examples – 1 mark each)** **[3]**



**(c)** Stepped costs occur when a business increases capacity. As a result of expansion overheads such as insurance, rent and rates and bank interest payments are likely to increase. On a break even chart these increases would result in a horizontal fixed cost line moving to a higher level beyond the output at which increased capacity occurs.

**(2 × 1 mark)** **[2]**

| Page 7 | Mark Scheme: Teachers' version | Syllabus | Paper |
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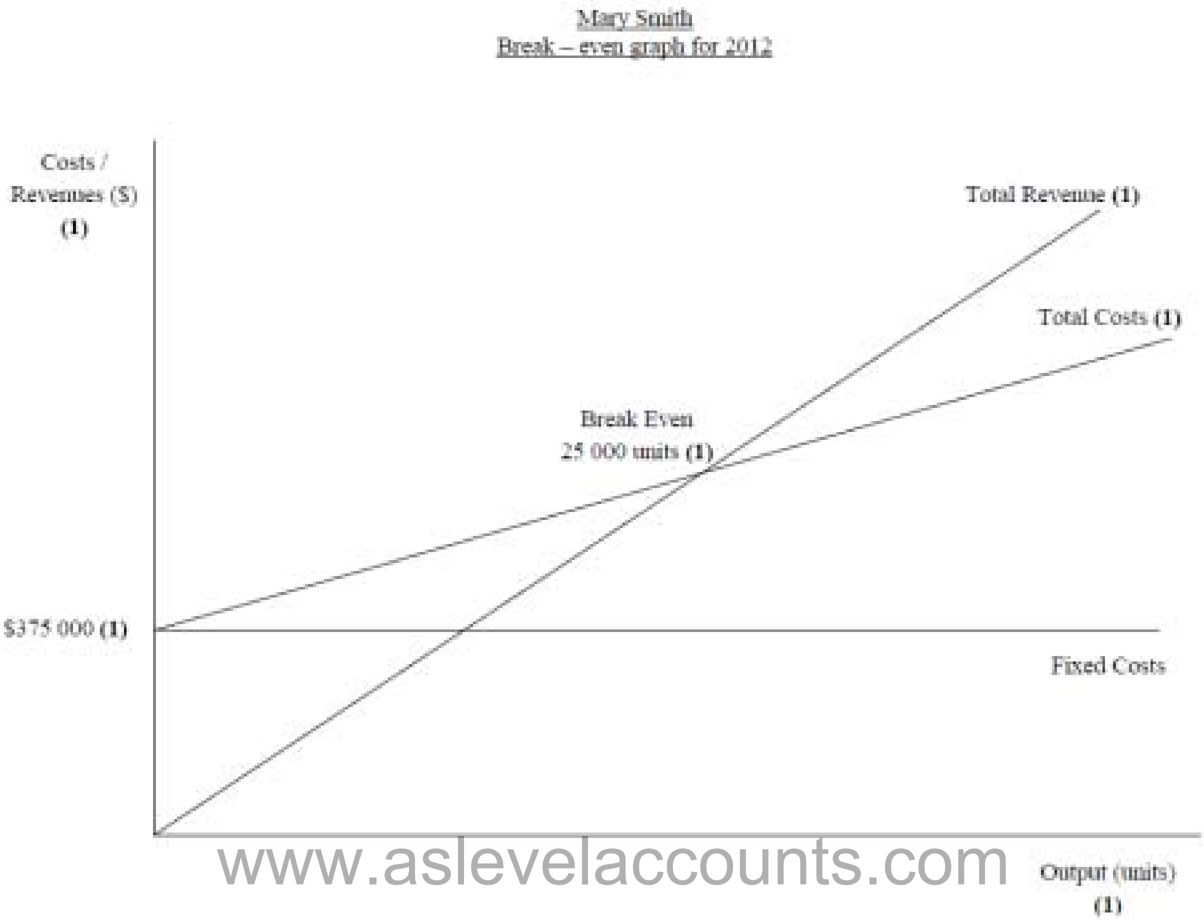
| | GCE AS/A LEVEL – October/November 2011 | 9706 | 22 |

**(d)**






Marks awarded for label or figure and label where both are given **[6]**

**(e)** If budgeted data is reasonably accurate and the budgeted level of activity could be maintained in future years then the business would generate more **profits** ($225 000 v $195 000) by increasing capacity.

The **margin of safety** will also be higher in unit terms (15 000 v 13 000) but lower in percentage terms (37.5% v 52%).

The business will make no profit following expansion if sales return to the previous level as the new **break-even** is the same as the previous sales / output.
The **capital cost** of $3 000 000 is likely to result in interest payments which would have to be met irrespective of profit performance.

**(2 × 3 marks + 1 mark for evaluation)** **[7]**

**[Total: 30]**

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

## 9706 ACCOUNTING

**9706/23** 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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UNIVERSITY of CAMBRIDGE
International Examinations

**1 (a)**

Carl and Daniel

Income Statement (Trading and Profit and Loss Account) and Appropriation account

For the year ended 31 December 2010

| | $ | $ | $ |
|---|---|---|---|
| Revenue (sales) (–317 **(1)** + 44 049 **(1)** + 183 **(1)** + 332 467 **(1)**) | | | 376 382 |
| Opening Inventory | 14 003 **(1)** | | |
| Ordinary goods purchased (Purchases) | 196 202 | | |
| (–4 872 **(1)** + 195 911 **(1)** + 5 163 **(1)**) | | 210 205 | |
| Less Closing Inventory | | 13 471 **(1)** | |
| Cost of Sales | | | 196 734 |
| Gross Profit | | | 179 648 |
| Rent received (7 000 – 500 – 500) | | | 6 000 **(2)** |
| | | | 185 648 |
| Less Expenses | | | |
| Wages (63 156 – 612 + 938) | | 63 482 **(2)** | |
| General expenses | | 56 676 **(1)** | |
| Depreciation of motor vehicle | | 8 000 **(2)** | |
| Depreciation of machinery | | 10 000 **(1)** | |
| Loss on disposal | | 800 **(2)** | |
| | | | 138 958 |
| Profit for the year (Net profit) | | | 46 690 |
| Interest on Drawings | | | 330 |
| | | | 47 020 |
| Salary – Daniel | | 3000 **(1)** | |
| Interest on capital – Carl | | 6 000 **(1)** | |
| Interest on capital – Daniel | | 4 200 **(1)** | |
| | | | 13 200 |
| | | | 33 820 |
| Share of profits – Carl | | 20 292 | |
| Share of profits – Daniel | | 13 528 | |
| | | | 33 820 |

[22]

**(b)**

**Current Accounts**

| | Carl | Daniel | | | Carl | Daniel | |
|---|---|---|---|---|---|---|---|
| | $ | $ | | | $ | $ | |
| Drawings | 35 660 | 26 480 | **(1 for both)** | Balances b/d | 3 210 | 1 304 | **(1 for both)** |
| Int on Drawings | 230 | 100 | **(1 for both)** | Interest on capital | 6 000 | 4 200 | **(1 for both)** |
| Balance c/d | | | | Salaries | | 3 000 | **(1)** |
| | | | | Share of Profit | 20 292 | 13 528 | **(1of for both)** |
| | | | | Balances c/d | 6 388 | 4 548 | **(1of for both)** |
| | 35 890 | 26 580 | | | 35 890 | 26 580 | |
| Balances b/d | 6 388 | 4 548 | **(1 for both)** | | | | |

[8]

**[Total 30]**

**2(A)**
**(a) (i)**

**Motor vehicle account**



| | $ | | | $ | |
|---|---|---|---|---|---|
| Balance b/d | 371 000 | **(1)** | Disposal | 9 200 | **(1)** |
| Bank | 15 000 | **(1)** | Balance c/d | 376 800 | **(1of)** |
| | 386 000 | | | 386 000 | |
| Balance b/d | 376 800 | | | | |

[4]

**(ii)**

**Provision for depreciation account – motor vehicles**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Disposal | 8 280 | **(1)** | Balance b/d | 130 000 | **(1)** |
| Balance c/d | 197 250 | **(1of)** | Profit and Loss | 75 530 | **(1)** |
| | 205 530 | | | 205 530 | |
| | | | Balance b/d | 197 250 | |

[4]

**(iii)**

**Motor vehicle disposal account**

| | $ | | | $ | |
|---|---|---|---|---|---|
| Motor vehicle | 9 200 | **(1)** | Provision for Depreciation | 8 280 | **(1of)** |
| | | | Bank | 500 | **(1)** |
| | | | Profit and Loss | 420 | **(1of)** |
| | 9 200 | | | 9 200 | |

[4]

**(b)**

Balance Sheet Extract

| **Non-current Assets** | Cost | | Depr | | NBV |
|---|---|---|---|---|---|
| | $ | | $ | | $ |
| Motor vehicles | 376 800 | **(1of)** | 197 250 | **(1of)** | 179 550 |

[2]

**(c)** Depreciation is a bookkeeping entry. Debit profit and loss. Credit provision for depreciation. It is **not** a movement **of cash** from the business.
Depreciation is an application of the **matching/accruals** concept. Depreciation is matched with the benefit which the asset provides over each accounting period.
The provision for depreciation annually is intended to spread the cost over the useful life of the asset. This is in accordance with the **accruals/prudence** concept.
(2 × 3 marks – 1 mark for each point plus 2 for development) [6]

**2(B)**
**(a)**

Hamilton Social Club
Balance Sheet as at 31 March 2011

| **Non-Current (Fixed) Assets** | $ | $ | $ |
|---|---|---|---|
| Equipment | | | 9 360 |
| | | | 9 360 **(1)** |
| **Current Assets** | | | |
| Café inventory (stock) | | 3 860 **(1)** | |
| Inventory (stock) of stationery | | 85 **(1)** | |
| Subscriptions | | 340 **(1)** | |
| Bank | | 120 **(1)** | |
| | | 4 405 | |
| **Current Liabilities** | | | |
| Trade Payables (creditors) | 880 **(1)** | | |
| Loan interest | 250 **(1)** | | |
| | | 1 130 | |
| Working Capital | | | 3 275 |
| Total Assets less current liabilities | | | 12 635 |
| **Non-Current (long term) Liabilities** | | | |
| Loan | | 5 000 **(1)** | |
| | | | 5 000 |
| | | | 7 635 |
| **Financed by** | | | |
| Accumulated fund | | | 9 380 **(1)** |
| Deficit for the year | | | 1 745 **(1of)** |
| | | | 7 635 |

[10]

**[Total 30]**

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

**3 (a) (i)**

| | | 2008 | | | 2009 | | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|
| Sales | | 480 000 | (1) | | 572 000 | (1) | | 736 000 | (1) |
| Opening inventory (stock) | 0 | | | 81,000 | | | 60 000 | | |
| Variable Costs | 405 000 | | (1) | 360,000 | | (1) | 512 000 | | (1) |
| | 405 000 | | | 441,000 | | | 572 000 | | |
| Closing inventory (stock) | 81 000 | | (1) | 60,000 | | (1) | 64 000 | | (1) |
| | | 324 000 | | | 381 000 | | | 508 000 | |
| Contribution | | 156 000 | | | 191 000 | | | 228 000 | |
| Fixed Costs | | 60 000 | (1) | | 66 000 | (1) | | 70 000 | (1) |
| Gross Profit | | **96 000** | (1) | | **125 000** | (1) | | **158 000** | (1) |

[15]

**(ii)**

| | 2008 | | | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| Sales | | 480 000 | | | 572 000 | | | 736 000 | |
| Opening inventory | 0 | | | 93 000 | | | 71 000 | | |
| Variable Costs | 405 000 | | | 360 000 | | | 512 000 | | |
| Fixed Costs | 60 000 | | | 66 000 | | | 70 000 | | |
| | 465 000 | | (1) | 519 000 | | (1) | 653 000 | | (1) |
| Closing inventory | 93 000 | | (1) | 71 000 | | (1) | 72 750 | | (1) |
| | | 372 000 | | | 448 000 | | | 580 250 | |
| Gross Profit | | **108 000** | (1) | | **124 000** | (1) | | **155 750** | (1) |

[9]

**(b)** Reconciliation Statement

| | 2008 | | | 2009 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| Profit per marginal costing | | 96 000 | | | 125 000 | | | 158 000 | |
| Add fixed costs in closing inventory | | | | | | | | | |
| Less inventory as per marginal costing | 81 000 | | | 60 000 | | | 64 000 | | |
| Add inventory as per absorption costing | 93 000 | 12 000 | **(1)** | 71 000 | 11 000 | **(1)** | 72 750 | 8 750 | **(1)** |
| | | 108 000 | | | 136 000 | | | 166 750 | |
| Less fixed cost in opening inventory | | | | | | | | | |
| Add inventory as per marginal costing | – | | | 81 000 | | | 60 000 | | |
| Less inventory as per absorption costing | – | – | **(1)** | 93 000 | 12 000 | **(1)** | 71 000 | 11 000 | **(1)** |
| Profit as per absorption costing | | 108 000 | | | 124 000 | | | 155 750 | |

[6]

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2012 series

## 9706 ACCOUNTING

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

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| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2012 | 9706 | 11 |

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

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2012 series

## 9706 ACCOUNTING

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

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|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2012 | 9706 | 12 |

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

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2012 series

## 9706 ACCOUNTING

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

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| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2012 | 9706 | 13 |

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

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2012 series

## 9706 ACCOUNTING

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

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CAMBRIDGE
International Examinations

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

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

**(b) Calculation of total sales**

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

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

**(c) Calculation of stock loss**

| | | $ | | |
|---|---|---|---|---|
| Total sales | | 142 000 | | |
| Gross profit @ 40% | | 56 800 | **1** | |
| Cost of sales | | 85 200 | **1** | |
| Closing stock | $88 200 + $6 000 – $85 200 = | 9 000 | **2** | |
| Actual stock @ cost | $14 000 × 60% = | 8 400 | **2** | |
| Cost of stock lost | | 600 | **1 of** | [7] |

**of** = own figure

**(d) Asset disposal of account**

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Cost of vehicle sold | 16 000 | | Depreciation of vehicle (16 000 × 25% × 2) | 8 000 | **2** | |
| Profit on disposal | 600 | **1of** | | | | |
| | | | Bank | 3 600 | **1** | |
| | | | Trade in allowance | 5 000 | **1** | |
| | 16 600 | | | 16 600 | | [5] |

| Page 3 | Mark Scheme | Syllabus | Paper |
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| | GCE AS/A LEVEL – October/November 2012 | 9706 | 21 |

**(e)** **Income statement for the year ended 30 June 2012**

| | | | | | |
|---|---|---|---|---|---|
| Sales | | | 142 000 | | |
| Opening inventory | 6 000 | | | | |
| Purchases | 88 200 | | | | |
| Closing inventory | (9 000) | | | | |
| Cost of goods sold | | | 85 200 | | |
| Gross profit | | | 56 800 | **1 of** | |
| Profit on disposal of vehicle | | | 600 | **1 of** | |
| | | | 57 400 | | |
| Provision for doubtful debts (20 500 × 3%) | 615 | **1** | | | |
| Stock loss | 600 | **1 of** | | | |
| Expenses (17 400 – 500 – 320) | 16580 | **2** | | | |
| Depreciation | | | | | |
| Fixtures | | | | | |
| (32 000 × 10%) | 3 200 | **1** | | | |
| Motor vehicles | | | | | |
| (65 000 – 16 000 + 20 000 × 25%) | 17 250 | **2** | | | |
| | | | 38 245 | | |
| Net profit | | | 19 155 | **1 of** | [10] |

**[Total: 30]**

**2** **(a)**

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Balance b/d | 2 600 | **1** | Balance b/d | 6 300 | **1** | |
| Income and expenditure | 86 980 | **1** | Bank | 84 400 | **1** | |
| | | | Bad debts | 280 | **1** | |
| Balance c/d | 4 500 | **1** | Balance c/d | 3 100 | **1** | |
| | 94 080 | | | 94 080 | | [7] |



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

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

**(c)**

PPE Rowing Club
Statement of Financial Position at 31 March 2012

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

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



**[Total: 30]**

**3 (a) (i)**

| | Basic | Deluxe | Super | Total | |
|---|---|---|---|---|---|
| Units | 4 000 | 2 000 | 500 | | |
| X by Hours | 3 | 5 | 8 | **2** | |
| Total labour hours | 12 000 | 10 000 | 4 000 | 26 000 | [2] |

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

**(iii)**

| | Basic $ | Deluxe $ | Super $ | |
|---|---|---|---|---|
| Sales price | 12 | 20 | 30 | |
| Variable cost | 6 | 14 | 16 | |
| Contribution per unit | 6 | 6 | 14 | **1** × **3** |

[3]

**(iv)**

| | Basic $ | Deluxe $ | Super $ | | |
|---|---|---|---|---|---|
| Contribution per unit | 6 | 6 | 14 | | |
| Labour hours | 3 | 5 | 8 | | |
| Contribution per direct labour hour | 2.00 | 1.20 | 1.75 | **1** × **3** | [3] |

**(b)**

| | Basic | Deluxe | Super |
|---|---|---|---|
| Order of priority | 1 | 3 | 2 |
| Sales | 4 000 | 2 000 | 500 |
| Hours per unit | 3 | 5 | 8 |
| Total hours | 12 000 | 10 000 | 4 000 |
| Hours left | | 8 400 | |
| | **1** | **2** | **1** |
| Units | 4 000 | 1 680 | 500 |

[4]

**(c) (i)** **Profit Statement**

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

[7]

**(ii)**

| | | |
|---|---|---|
| Estimated FC | $39 000 | **1** |
| Actual FC | 36 600 | **1 of** |
| OH underabs | 2 400 | **1 of** |



[3]

**(d)**

| | $ |
|---|---|
| Sales price | 100 |
| Variable costs | 95 |
| Contribution | 5 |

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

**(e)**

| | | |
|---|---|---|
| BEP = $10 000/5 = | 2 000 units | |
| Less sales | 2 200 units | |
| Margin of safety | 200 units | **1** |
| Margin of safety (value) | $20 000 | **1** |

[2]

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2012 series

## 9706 ACCOUNTING

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

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| Page 2 | Mark Scheme | Syllabus | Paper |
|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2012 | 9706 | 22 |

**1 (a)** Statement of opening capital

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

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

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

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

[20]

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

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

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

**[Total: 30]**

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

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

**(b)** Current Account

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



**(c)** Capital Account

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

**(d)**

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

**(e)** Suspense Account

| | | | | | |
|---|---|---|---|---|---|
| Balance B/F | 8 400 | | Sales | 18 200 | **1** |
| Discounts allowed | 9 600 | **1** | Bank | 9 400 | **1** |
| Discounts received | 9 600 | **1** | | | |
| | 27 600 | | | 27 600 | |

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

**[Total: 30]**

**3 (a)**

| | Aloe | Hazel | Peach |
|---|---|---|---|
| Sales (litres) | 120 000 | 39 000 | 60 000 |
| Divided by per hour | 8 litres | 4 litres | 5 litres |
| Hours | 15 000 | 9 750 | 12 000 |

Total hours (15 000 + 9 750 + 12 000) = 36 750 hours **2 or 0** [2]

**(b)** Profit Statement

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

Total profit $199 050 **1** [12]

**(c)**

| | Aloe | Hazel | Peach | |
|---|---|---|---|---|
| Hours | 15 000 | 9 750 | 12 000 | **1** |
| Total contribution | $372 000 | $124 800 | $180 000 | **1** |
| C per labour hour | $24.80 | $12.80 | $15.00 | **1** |

[3]

**(d)**

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

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

Maintain production of all 3 shampoos.
Do not halt production of Peach shampoo as fixed cost burden for other 2 products increases.
Peach is making a contribution to fixed costs.



Two marks per valid point. [4]

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2012 series

## 9706 ACCOUNTING

**9706/23** 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)** Manufacturing account for the year ended 31 March 2012

| | $ | $ | | $ | |
|---|---|---|---|---|---|
| Raw materials | | | | | |
| Opening inventory | | 53 000 | | | |
| Purchases of raw materials | | 800 000 | **(1)** | | |
| Carriage inwards | | 6 000 | **(1)** | | |
| Returns outwards | | (18 500) | **(1)** | | |
| | | 840 500 | | | |
| Less closing inventory | | 47 000 | **(1)** | | |
| Cost of raw materials consumed | | | | 793 500 | |
| Direct wages | | | | 450 000 | **(1)** |
| PRIME COST | | | | 1 243 500 | **(1)** |
| | | | | | |
| Add Factory Overheads | | | | | |
| Indirect wages | | 68 000 | **(1)** | | |
| Rates and insurance | | 31 160 | **(1)** | | |
| General factory overheads | | | | | |
| Depreciation premises | | 93 000 | **(1)** | | |
| Depreciation machinery | | 24 000 | **(1)** | | |
| | | 27 000 | **(1)** | | |
| | | | | 243 160 | |
| | | | | 1 486 660 | |
| Add: Opening work in progress | | | | 80 000 | **(1)** |
| | | | | 1 566 660 | |
| Less: Closing work in progress | | | | 92 000 | **(1)** |
| Manufacturing cost of goods completed | | | | 1 474 660 | |

[13]

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| | GCE AS/A LEVEL – October/November 2012 | 9706 | 23 |

**(b)** Income Statement for the year ended 31 March 2012

| | | | | | |
|---|---|---|---|---|---|
| Revenue | | | 2 500 00 | **(1)** | |
| Revenue returns | | | 22 000 | **(1)** | |
| | | | | | 2 478 000 |
| Opening inventory | 76 000 | | | | |
| Cost of goods produced | 1 474 660 | **(1) of** | | | |
| | | | 1 550 660 | | |
| Less Closing inventory | | | 68 000 | **(1)** | |
| Cost of sales | | | | | 1 482 660 |
| Gross profit | | | | | 995 340 |
| Expenses | | | | | |
| Rates and insurance | | | 7 790 | **(1)** | |
| Loan interest | | | 10 000 | **(1)** | |
| Office salaries | | | 80 000 | **(1)** | |
| Depreciation premises | | | 6 000 | **(1)** | |
| Provision for doubtful debts | | | 350 | **(2)** | |
| General office expenses | | | 100 000 | **(1)** | |
| | | | | | 204 140 |
| Profit for the year | | | | | 791 200 |



[11]

**(c)** Assets should not be overstated **(1)**
Liabilities should be understated **(1)**
Revenue should not be bought into the financial statements until realised **(1)**

**(Up to 3 points for the definition)**

Inventory **(1)**
Provision for doubtful debts **(1)**
Depreciation **(1)**

**(Up to 3 points for examples)**

[6]

**[Total: 30]**

**2 (a)**

**Capital Account**

| | Maurice | Ravel | Bach | | | Maurice | Ravel | Bach | |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | | | $ | $ | $ | |
| Goodwill | 16 000 | 16 000 | 8 000 | **(1)** | Balance b/d | 120 000 | 80 000 | | **(1)** |
| | | | | | Bank | | | 39 000 | **(1)** |
| | | | | | Motor van | | | 8 000 | **(1)** |
| Balance c/d | 120 000 | 84 000 | 39 000 | | Goodwill | 20 000 | 20 000 | | **(1)** |
| | 140 000 | 100 000 | 47 000 | | | 140 000 | 100 000 | 47 000 | |

[5]

**(b) (i)**

**Maurice Ravel and Bach**
**Income Statement and Appropriation Account for the year ended 30 June 2012**

| | $ | | $ | | $ |
|---|---|---|---|---|---|
| Revenue | | | 2 600 000 | **(1)** | |
| Revenue returns | | | 200 000 | **(1)** | |
| | | | | | 2 400 000 |
| Opening inventory | 120 000 | **(1)** | | | |
| Ordinary goods purchased | 1 625 000 | **(1)** | | | |
| | | | 1 745 000 | | |
| Less Closing inventory | | | 145 000 | **(1)** | |
| Cost of sales | | | | | 1 600 000 |
| Gross Profit | | | | | 800 000 |
| Expenses | | | 480 000 | **(1)** | |
| | | | | | 480 000 |
| Profit for the year | | | | | 320 000 |

[6]

**(ii)**

| | $ | | $ | | $ |
|---|---|---|---|---|---|
| Add Interest on drawings | | | | | |
| Maurice | | | 4 800 | **(1)** | |
| Ravel | | | 6 000 | | |
| Bach | | | 1 750 | **(1)** | 12 550 |
| | | | | | 332 550 |
| Less Salary: Ravel | | | 10 000 | **(1)** | |
| Less Interest on capital: | | | | | |
| Maurice | 12 400 | **(1)** | | | |
| Ravel | 8 400 | **(1)** | | | |
| Bach | 3 900 | **(1)** | 24 700 | | 34 700 |
| | | | | | 297 850 |
| Balance of profits shared: | | | | | |
| Maurice | | | 119 140 | **(1)** | |
| Ravel | | | 119 140 | **(1)** | |
| Bach | | | 59 570 | **(1)** | 297 850 |

[9]

**(c)**

Current Account

| | Maurice | Ravel | Bach | | | Maurice | Ravel | Bach | |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | | | $ | $ | $ | |
| Balance b/d | | 12 000 | | **(1)** | Balance b/d | 17 000 | | | **(1)** |
| Drawings | 96 000 | 120 000 | 35 000 | **(1)** | Profit | 119 140 | 119 140 | 59 570 | **(1)** |
| Interest on drawings | 4 800 | 6 000 | 1 750 | **(1)** | Salary | | 10 000 | | **(1)** |
| | | | | | Interest on capital | 12 400 | 8 400 | 3 900 | **(1)** |
| Balance c/d | 47 740 | | 26 720 | | Balance c/d | | 460 | | |
| | 148 540 | 138 000 | 63 470 | | | 148 540 | 138 000 | 63 470 | |

[7]

**(d)** Liability for the debts of the business **(1)** is limited **(1)** to the amount of capital invested by each partner **(1)** [3]

**[Total: 30]**

**3 (a)**

| Per unit | Alpha | | Beta | | Gamma | |
|---|---|---|---|---|---|---|
| | $ | | $ | | $ | |
| Selling price | 72 | | 74 | | 58 | |
| Variable costs | 52 | | 52 | | 41 | |
| Contribution | 21 | **(1)** | 22 | **(1)** | 17 | **(1)** |

[3]

**(b)**

| | | $ | |
|---|---|---|---|
| Alpha | 9 000 × $21 | 189 000 | **(1)** |
| Beta | 12 000 × $22 | 264 000 | **(1)** |
| Gamma | 7 000 × $17 | 119 000 | **(1)** |
| | | 572 000 | |
| Fixed costs | | 250 000 | **(1)** |
| Monthly profit | | 322 000 | **(1)** |

[5]

**(c)**

| | Alpha | | Beta | | Gamma | |
|---|---|---|---|---|---|---|
| Contribution per limiting factor | $\frac{21}{18}$ = 1.17 | | $\frac{22}{25}$ = 0.88 | | $\frac{17}{16}$ = 1.06 | |
| Priority | 1 | **(1)** | 3 | **(1)** | 2 | **(1)** |



Material available in April = 574 000 × 80% = 495 200 utilised as

| | | | | | | |
|---|---|---|---|---|---|---|
| | 9000 × 18 = 162 000 | **(1)** | 7408 × 25 = 185 200 | **(1)** | 7000 × 16 = 112 000 | **(1)** |

Converted into contribution for April

| | | | | | | |
|---|---|---|---|---|---|---|
| | 9000 × 21 = $189 000 | **(1)** | 7408 × $22 = $162 976 | **(1)** | 7000 × $17 = 119 000 | **(1)** |

| | $ | |
|---|---|---|
| Total contribution for April 189 000 + 162 976 + 119 000 | 470 976 | |
| Fixed costs | 250 000 | **(1)** |
| Profit for April | 220 976 | **(1)** |
| | | |
| Total profit for 3 months = (322 000 × 2) + 220 976 | 864 976 | **(1)** |

[12]

**(d)**

| | $ | |
|---|---|---|
| Selling price | 50 | **(1)** |
| Variable costs | 41 | **(1)** |
| Contribution per unit | 9 | |
| Quantity | 3 000 | **(1)** |
| Total contribution | 27 000 | |
| Fixed costs | 15 000 | **(1)** |
| Profit | 12 000 | |

[4]

**(e)** Customers paying full price will be annoyed to discover others paying less.
Possible business will be taken elsewhere.

Reaction of competitors needs consideration – price wars.

Will acceptance of the offer take up capacity that could be better used for future full price business?

An over reliance on special orders is not a long term solution and the company should put priority on achieving full price orders.

**3 x 2 marks** [6]

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2013 series

## 9706 ACCOUNTING

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

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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International Examinations

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| | GCE AS/A LEVEL – October/November 2013 | 9706 | 11 |

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

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2013 series

## 9706 ACCOUNTING

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

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|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2013 | 9706 | 12 |

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

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2013 series

## 9706 ACCOUNTING

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

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|---|---|---|---|
| | GCE AS/A LEVEL – October/November 2013 | 9706 | 13 |

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

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2013 series

# 9706 ACCOUNTING

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

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**1 (a) (i)**

Booksellers Limited
Income statement for the year ended 31 December 2012

| | | | | $000 | | $000 | |
|---|---|---|---|---|---|---|---|
| Gross profit for the year | | | | | | 415 | |
| Reduction in provision for bad debts | | | | | | 2 | **(2)** |
| | | | | | | 417 | |
| Less expenses | | | | | | | |
| Wages 127 + 23 | | | | 150 | **(2)** | | |
| Rent 44 – 8 | | | | 36 | **(2)** | | |
| Heating and Lighting | | | | 15 | | | |
| Motor expenses | | | | 50 | | | |
| Office expenses | | | | 19 | | | |
| Insurance | | | | 15 | | | |
| Discount allowed | | | | 2 | | | |
| Other expenses | | | | 53 | | | |
| Debenture interest | | | | 1 | **(1)** | | |
| Bad debts | | | | 5 | **(1)** | | |
| Depreciation | Motor vehicles | 22 | **(1)** | | | | |
| | Shop fittings | 3 | **(2)** | | | | |
| | Office fittings | 3 | **(1)** | 28 | | 374 | |
| Retained profit for the year | | | | | | 43 | |

Reduction in provision: (45 – 5) = 40 **(1)** × 5% **(1)** = 2; 4 – 2 = 2



Depreciation – shop fittings: (42 – 12) = 30 **(1)** × 10% **(1)** = 3 **[12]**

**(ii)** Calculation of retained earnings at 31 December 2012

| | $000 | |
|---|---|---|
| Retained profit for the year | 43 | |
| Add retained profit b/f | 26 | **(1)** |
| Retained profit at 31 December 2012 | 69 | **(1of)** |

**[2]**

**(b)**

Booksellers Ltd
Statement of Financial Position at 31 December 2012

| | $000s | $000s | | $000s | |
|---|---|---|---|---|---|
| Non-current assets | Cost | Depreciation | | Net book value | |
| Motor vehicles | 176 | 68 | | 108 | |
| Shop fittings | 42 | 15 | | 27 | |
| Office fittings | 25 | 6 | | 19 | **(1)** |
| Goodwill | | | | 44 | |
| | | | | 198 | **(1of)** |
| Current assets | | | | | |
| Inventory | | 37 | | | |
| Trade receivables | 40 | | | | |
| Less provision for doubtful receivables | 2 | 38 | **(1of)** | | |
| Other receivables | | 8 | **(1)** | | |
| Bank | | 37 | | | |
| | | 120 | | | |
| Current liabilities | | | | | |
| Trade payables | 15 | | | | |
| Other payables {23 **(1)** + 1 **(1)**} | 24 | 39 | | | |
| Net current assets | | | | 81 | |
| Non-current liabilities | | | | | |
| 5% debentures | | | | 20 | **(1)** |
| | | | | 259 | |
| Equity | | | | | |
| Ordinary share capital | | | | 190 | |
| Retained earnings | | | | 69 | **(1of)** |
| | | | | 259 | |

**[8]**



**(c) (i)** Ordinary shares; Preference shares; Debentures; Long term loans; Factoring; Disposal of non-current assets no longer used. (**1 mark each for any two**) **[2]**

**(ii)** **Ordinary Shares:** Advantages: They company does not have to pay a dividend if profits are low. Dividends vary with profits. Disadvantages: Ordinary shareholders have a vote at annual general meetings. In a private company they can change the balance of control.

**Preference Shares:** Advantages: The shareholders have no right to vote at AGM. The dividends are fixed.
Disadvantages: Low or no profits, dividends may have to be paid or provided.

**Debentures/Long term loans:** Advantages: Fixed rates of interest, repayment date known. Disadvantages: Interest needs to be paid even if no profit made, security may be required by the lender. **(2 × 3 marks to max 6)** **[6]**

**[Total: 30]**

2 (a) **Gross profit ratio** = $\frac{\text{Gross Profit}}{\text{Net Sales}} \times \frac{100}{1}$

It tests the profitability of sales.
It is affected by change in cost of sales which may be due to incorrect stock valuation, increased carriage on purchases not passed on to customers, breakages, embezzlement etc. Also affected by changes in sales margin.

**Inventory turnover** = $\frac{\text{Average Inventory}}{\text{Cost of goods sold}} \times 365\ \text{(days)}$ OR $\frac{\text{Cost of goods sold}}{\text{Average inventory}}\ \text{(times)}$

Tests the efficiency of stock control.
Tells how often, on average, a batch of inventory is sold and replaced during the year.
Changes in opening and closing inventory.
Affected by changes in demand levels due to quality of inventory, damage to inventory, fashion changes, obsolescence etc.

**Quick (acid test) ratio** = $\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$

Tests the liquidity of the business. The ability to satisfy current liabilities from liquid current assets.
Affected by changes in cash/bank, trade receivables or trade payables.

**Return on capital employed** = $\frac{\text{Net profit before interest}}{\text{Capital employed}} \times \frac{100}{1}$



Tests the profitability of the business and the efficiency to generate profits from capital.
Affected by any increase or decrease in profit or in capital employed. For instance, better control of expenses would increase profitability.

**Trade receivables turnover** = $\frac{\text{Trade receivables}}{\text{Credit sales}} \times 365$

Identifies liquidity/efficiency by measuring time taken by debtors to pay their debts; may be thought of as how long resources are tied up in debt. Is compared to previous years – if rising suggests debtors are taking longer to pay. Controlled by personal approach to debtor, introduction of cash discounts for early payment, employment of factor to collect debt etc.

Award **one** mark for each formula, **one** mark for each area and up to **two** marks for reasons.
**(Maximum 20 marks)**

(b) **Reliability** – information from which ratios are prepared may not be reliable as there could be errors.

**Seasonal variations** – date of accounts may affect ratios; for example a toy-maker might have low stock during the month before his busy season but have many debtors at that time.

**Timing** – by their nature, final accounts are almost out-of-date by the time they are published.

**Monthly fluctuations** – these cannot be ascertained from yearly accounts.

**Cosmetic accounting** – Despite regulation it is still possible to alter ratios by, for example, undertaking a robust debt collection exercise or delaying stock purchases thus “modifying” ratios for the year end.

**Comparability** – Comparisons between businesses are only valid if they are of the same type and size. Use of different accounting policies also limit comparisons.

**Non-financial matters** – such items as staff loyalty, level of competition and customer base cannot be measured by ratios.
The ratios do not show the cause of the changes.

**Economic** – changes may be due to a downturn or inflation.

Award marks to the first **five** answers, giving **one** for a brief description and **one** for expansion in each case.

**(Maximum 10 marks)**



**[Total: 30]**

**3 (a) (i)**

| | FIFO | | AVCO | |
|---|---|---|---|---|
| | $ | | $ | |
| Preludes | 4600 | | 4300 | |
| Fugues | 3900 | | 3750 | |
| Sonatas | 1200 | **(1)** | 1200 | **(1)** |
| Revised closing inventory | 9700 | **(1of)** | 9250 | **(1of)** |

**[4]**

**(ii)** FIFO = 86 300 – 10 200 **(1)** + 9700 **(1of)** = 85 800 **(1of)**
AVCO = 86 300 – 10 200 **(1)** + 9250 **(1of)** = 85 350 **(1of)**

**[6]**

**(b)** Inventory must be valued at the lower of cost **(1)** and net realisable value **(1)**.
The accounting concept of prudence **(1)** must be applied when valuing inventory. Prudence states that profits and asset values must not be overstated **(1)**.
The use of the selling price would overstate profit for the year **(1)** and the current asset/net asset value of the business would be overstated **(1)**.

**[6]**

**(c)** Capital expenditure is entered in the Statement of Financial Position **(1)** as a non-current asset **(1)** with only the depreciation for the asset **(1)** being included in the Income Statement **(1)**.
Capital expenditure is charged over consecutive accounting periods **(1)** in accordance with the matching/accruals concept **(1)**.
If there was incorrect classification and the Capital Expenditure was included in the Income Statement then the profit for the year would be understated **(1)** and the asset value in the Statement of Financial Position would be understated **(1)**.
Revenue expenditure should be entered in the Income Statement **(1)** as an expense **(1)**. If this expenditure was placed in the Statement of Financial Position 'profit for the year' would be overstated **(1)** and the asset total in the Statement of Financial Position would be overstated **(1)**. This would contravene the prudence concept **(1)**.



(max. 3 marks for each type) **[6]**

**(d) (i)**

| | Dr | | Cr | |
|---|---|---|---|---|
| | $ | | $ | |
| Property | 115 000 | **(1)** | | |
| Provision for depreciation | 14 000 | **(1)** | | |
| Revaluation reserve | | | 129 000 | **(1)** |

**[3]**

**(ii)** Reserves **[1]**

**(iii)** $315 000 **(1)** × 50% **(1)** × 2% **(1)** = $3150 **(1)** **[4]**

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2013 series

## 9706 ACCOUNTING

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

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

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CAMBRIDGE
International Examinations

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| | GCE AS/A LEVEL – October/November 2013 | 9706 | 22 |

1 (a)

Joe Brown
Departmental income statement for the year ended 31 December 2012

| | | Fuel | | Car wash | | Café |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Revenue | | 735 600 | | 30 650 | | 61 300 |
| | | | | | | |
| Opening inventory | 38 700 | | 3 650 | | 4 725 | |
| Add Purchases | 454 320 | | 7 240 | | 9 620 **(1) mark all 3** | |
| Less Closing inventory | 39 760 | | 2 480 | | 4 820 **(1) mark all 3** | |
| Cost of goods sold | 453 260 | | 8 410 | | 9 525 | |
| Wages | 36 000 | | 3 000 | | 12 000 **(1) mark all 3** | |
| | | 489 260 | | 11 410 | | 21 525 |
| Gross Profit | | 246 340 | | 19 240 | | 39 775 |
| | | | | | | |
| Less expenses | | | | | | |
| | | | | | | |
| Rent | 33 664 **(1)** | | 8 416 **(1)** | | 4 208 **(1)** | |
| Electricity | 12 200 **(1)** | | 3 050 **(1)** | | 3 050 **(1)** | |
| Administration | 12 084 **(1)** | | 1 007 **(1)** | | 4 028 **(1)** | |
| Other expenses | 48 020 **(1)** | | 2 001 **(1)** | | 4 002 **(1)** | |
| Depreciation | 12 000 **(1)** | | 2 070 **(1)** | | 414 **(1)** | |
| | | 117 968 | | 16 544 | | 15 702 |
| | | | | | | |
| Profit for the year | | 128 372 | | 2 696 | | 24 073 |

**[18]**



**(b)** Fixed costs will be reallocated
Alternative uses of the vacant space
Customers making additional purchases when having car washed
Loss of business and goodwill
Staff redundancies
Disposal of closing inventory
Sale of equipment
Decrease in profit/revenue
Closure costs **(1) + (1) for development × 3 points [6]**

**(c)** Interest is only charged on overdraft if used. Loan interest is for the whole agreed period.
Loans are for an agreed period
Overdrafts can be called in at any time
Loans are normally at fixed interest but overdraft interest can fluctuate
Overdrafts have a higher rate of interest than a loan
Overdraft balance may vary from day to day
Loans are usually for a longer period than overdrafts
Loans would be taken out for non-current asset purchase but overdrafts are normally for running expenses in periods of shortage of working capital
Loans are for a larger value whereas an overdraft is for a smaller sum
Overdraft is short term borrowing whereas a loan is long term borrowing
Loans are usually non-current liabilities and overdrafts are current liabilities.
**(1) + (1) for development × 3 points [6]**

**[Total: 30]**

**2 (a)**

Current accounts

| | Alec | Jean | | Alec | Jean |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| Balance | 2 900 **(1)** | | Balance | | 3 100 **(1)** |
| Drawings | 20 000 | 22 000 **(1)** | Interest on capital | 4 500 **(1)** | 3 000 **(1)** |
| Interest on drawings | 1 600 **(1)** | 1 760 **(1)** | Salaries | 14 000 | 12 000 **(1)** |
| Balance c/d | 3 000 | 340 | Share of profit | 9 000 **(1of)** | 6 000 **(1of)** |
| | 27 500 | 24 100 | | 27 500 | 24 100 |
| | | | Balance b/d | 3 000 | 340 |

**Marker Note:**
Drawings and Salaries – 1 mark for both figures.
Share of profit must be in ratio of 3:2 for (of).

**[10]**

**(b)** Calculation of profit for the year ended 31 May 2013 before appropriation.

| | $ | |
|---|---|---|
| Share of profit | 15 000 | **(1of) from (a)** |
| Salary | 26 000 | **(1)** |
| Interest on capital | 7 500 | **(1of)** |
| | 48 500 | |
| LESS | | |
| Interest on drawings | 3 360 | **(1of)** |
| Profit for the year | 45 140 | **(2cf/1of)** |



An anchor figure must be present for any marks to be awarded. **[6]**

**(c)** Goodwill is an intangible asset **(1)**. It arises from the location **(1)** reputation **(1)** and customer loyalty **(1)**. It represents the value of the business in excess of **(1)** the book value of its net assets **(1)**. **[4]**

**(d)**

Capital accounts

| | Alec | Jean | Chris | | Alec | Jean | Chris |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | | $ | $ | $ |
| Goodwill | 18 000 **(1)** | 12 000 **(1)** | 6 000 **(1)** | Balance b/d | 90 000 | 60 000 | |
| Balance c/d | 93 600 | 62 400 | 48 000 | Goodwill | 21 600 **(1)** | 14 400 **(1)** | |
| | | | | Cash | | | 36 000 **(1)** |
| | | | | Vehicle | | | 12 150 **(1)** |
| | | | | Inventory | | | 5 850 **(1)** |
| | 111 600 | 74 400 | 54 000 | | 111 600 | 74 400 | 54 000 |
| | | | | Balance b/d | 93 600 | 62 400 | 48 000 **(2cf/1of)** |

**Marker Note:**
Award 0 marks for Balance b/d is not brought down. **[10]**

**[Total: 30]**

| Page 4 | Mark Scheme | Syllabus | Paper |
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| | GCE AS/A LEVEL – October/November 2013 | 9706 | 22 |

3 (a) (i) **Calculate the weekly breakeven point in units.**

Fixed cost 800 × ($3.50 + $1.00) = $3600
Contribution $35.00 – ($13.50 + $1.50) = $20

Breakeven point = $3600 **(1)** / $20 **(1)** = 180 units **(1cf)** **[3]**

(ii) **Calculate the weekly breakeven point in value.**

180 units **(1of)** × $35 **(1)** = $6300
If contribution to sales ratio method is used allow answers between $6300 and $6320. **[2]**

(iii) **Calculate the margin of safety in revenue.**

800 **(1)** – 180 **(1of)** = 620 × $35 = $21 700 **(1of)**

**Or**

28 000 **(1)** – 6300 **(1of)** = $21 700 **(1of)** **[3]**

(iv) **Calculate the margin of safety as a percentage.**

($21 700 / 800 × $35) **(1of)** × 100 = 77.5% **(1of)**
Allow 77% or 78% **[2]**



(b) **Calculate the profit for the four weeks that Kirkton will be without the machine if they decide to lease a machine.**

| | $ | | |
|---|---|---|---|
| Revenue – 500 × 4 weeks × $35 | 70 000 | **(1)** | |
| Variable production costs – 500 × 4 weeks × $13.50 | (27.000) | **(1)** | |
| Fixed production costs – 800 × 4 weeks × $3.50 | (11 200) | **(1)** | |
| Variable selling costs – 500 × 4 weeks × $1.50 | ( 3 000) | **(1)** | |
| Fixed selling costs – 800 × 4 weeks × $1.00 | ( 3 200) | **(1)** | |
| Machine lease costs – 4 weeks × $2000 | ( 8 000) | **(1)** | |
| Training costs | ( 3 000) | **(1)** | |
| Profit | 14 600 | **(2cf / 1of)** | **[9]** |

(c) **Calculate the profit for the four weeks if Kirkton decide to buy the Kirks from the competitor.**

| | $ | | |
|---|---|---|---|
| Revenue – 800 × 4 weeks × $35 | 112 000 | **(1)** | |
| Purchase price – 800 x 4 weeks × $26.25 | (84 000) | **(1)** | |
| Fixed production costs – 800 × 4 weeks × $3.50 | (11 200) | **(1)** | |
| Variable selling costs – 800 × 4 weeks × $1.50 | ( 4 800) | **(1)** | |
| Fixed selling costs – 800 × 4 weeks × $1.00 | ( 3 200) | **(1)** | |
| Delivery costs – 4 weeks × $400 | ( 1 600) | **(1)** | |
| Profit | 7 200 | **(1of)** | **[7]** |

**(d) State two advantages if Kirkton decides to buy the Kirks from the competitor rather than lease the machine.**

- The full quota of 800 units will be available for customers **(1)**
- Kirkton's business reputation will be maintained **(1)**
- No training costs **(1)**

Do not allow references to delivery charge. **[2]**

**(e) State two disadvantages if Kirkton decides to buy the Kirks from the competitor.**

- The product quality may not be the equivalent of the company's own quality **(1)**
- The competitor may not deliver on time **(1)**
- The competitor may increase the price **(1)**
- Kirkton will have to continue to pay wages **(1)**
- Competitive advantage **(1)**
- Kirkton will make a lower profit **(1of)**

Do not allow references to delivery charge. **[2]**

**[Total: 30]**

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the October/November 2013 series

## 9706 ACCOUNTING

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

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**1 (a)** Shop income statement for the year ended 31 May 2013

| | $ | | $ | | |
|---|---|---|---|---|---|
| Revenue (sales) | | | 120 000 | **(1)** | |
| Cost of sales | | | | | |
| Inventory (1 June 2012) | 8 500 | **(1)** | | | |
| Purchases | 32 500 | **(1)** | | | |
| | 41 000 | | | | |
| Inventory (31 May 2013) | 4 800 | **(1)** | | | |
| | 36 200 | | | | |
| Add Direct wages (27 000 + 3000 – 1000) | 29 000 | **(2)** | 65 200 | | |
| Gross profit | | | 54 800 | | |
| LESS | | | | | |
| Overhead | | | | | |
| Insurance (20% × 11 000) | 2 200 | **(1)** | | | |
| Heating and lighting (20% × 20 000) | 4 000 | **(1)** | 6 200 | | |
| PROFIT (NET) | | | 48 600 | | **[8]** |

**(b)** Income and Expenditure account for the year ended 31 May 2013

| | $ | | $ | |
|---|---|---|---|---|
| Shop profit | 48 600 | **(1)OF** | | |
| Subscriptions (44 000 + 4000 – 4200 + 5600 – 3500) | 45 900 | **(5)** | | |
| Donations | 450 | **(1)** | | |
| Interest on deposit account | 90 | **(1)** | 95 040 | |
| Fitness coach – wages | 16 000 | | | |
| Insurance 80% × (12 000 – 1000) | 8 800 | **(1)** | | |
| Heating and lighting (80% × 20 000) | 16 000 | **(1)** | | |
| Loan interest 6% × (40 000 ÷ 2) | 1 200 | **(1)** | | |
| Depreciation – sports equipment | 9 400 | **(1)** | | |
| Printing and stationery | 5 500 | **(1)** | | |
| Sundry expenses | 800 | **(1)** | 57 700 | |
| Surplus income/expenditure | | | 37 340 | **[14]** |

**(c)** Statement of Financial Position at 31 May 2013

| Non-current assets | $<br>Cost | | $<br>Depreciation | | $<br>NBV | |
|---|---|---|---|---|---|---|
| Premises | | | | | 100 000 | |
| Equipment | 115 000 | | 14 400 | | 100 600 | **(1)** |
| | | | | | 200 600 | |
| Current Assets | | | | | | |
| Inventory | 4 800 | | | | | |
| Subscriptions in arrears | 5 600 | | | | | |
| Insurance prepaid | 1 000 | | | | | |
| Bank – deposit account | 2 390 | | | | | |
| Bank – current account | 15 350 | **(1)** | | | | |
| Cash | 250 | | | | | |
| | | | 29 390 | **(1)** | | |
| Current liabilities | | | | | | |
| Subscriptions prepaid | 3 500 | | | | | |
| Loan interest | 1 200 | | | | | |
| Wages accrued | 3 000 | | 7 700 | **(1)** | 21 690 | |
| | | | | | 222 290 | |
| Non-current liabilities | | | | | | |
| Loan | | | | | 40 000 | **(1)** |
| Net assets | | | | | 182 290 | |
| Accumulated fund | 144 950 | **(2)** | | | | |
| ADD Surplus I/E | 37 340 | **(1)OF** | | | 182 290 | |



Accumulated fund calculation

| | | |
|---|---|---|
| Assets | | |
| Premises | | 100 000 |
| Equipment (30 000 – 5000) | | 25 000 |
| Inventory | | 8 500 |
| Bank – deposit account | | 2 000 |
| Bank – current account | | 10 000 |
| Cash | | 250 |
| Subscriptions due | | 4 200 |
| | | 149 950 |
| Less liabilities | | |
| Subscriptions prepaid | 4 000 | |
| Wages accrued | 1 000 | 5 000 |
| | | 144 950 |

**[8]**

**[Total: 30]**

| Page 4 | Mark Scheme | Syllabus | Paper |
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| | GCE AS/A LEVEL – October/November 2013 | 9706 | 23 |

**2** **(a)** **(i)** Gross profit = 35% of sales = $29 750 000 **[2]**

**(ii)** Cost of sales = sales – gross profit = $55 250 000 **[2]**

**(iii)** Average inventory = $\frac{\text{Cost of sales}}{\text{Inventory turnover}}$ = $5 525 000

Closing inventory = (Average inventory × 2) – opening inventory
= 11 050 000 **(3)** – 7 800 000 **(1)** = $3 250 000 **[4]**

**(iv)** Purchases = Cost of sales + closing inventory – opening inventory
= 55 250 000 **(1)** + 3 250 000 **(1)** – 7 800 000 **(1)** = $50 700 000 **[3]**

**(v)** Net profit for year = 14% of sales = $11 900 000 **[2]**

**(vi)** Expenses = Gross profit – profit for year = $17 850 000 **[2]**

**(vii)** Trade payables = $\frac{\text{Purchases} \times \text{TP turnover rate}}{365}$

= $\frac{50\,700\,000\ \mathbf{(1)} \times 42\ \mathbf{(1)}}{365\ \mathbf{(1)}}$ = $5 833 972 **[3]**

**(viii)** Trade receivables = $\frac{\text{Sales} \times \text{TR turnover rate}}{365}$

= $\frac{85\,000\,000\ \mathbf{(1)} \times 58\ \mathbf{(1)}}{365\ \mathbf{(1)}}$ = $13 506 849 **[3]**

**(b) Shareholders and potential shareholders (1)**
Interested in: sales and profit trends **(1)** future performance **(1)** profit available for distribution **(1)** yield on investment **(1)** ease of payment of dividends from profits **(1)** management of funds **(1)**

**Creditors (1)**
Interested in: working capital **(1)** acid test **(1)** profitability **(1)** order of claim in event of liquidation **(1)**

**Lenders (1)**
Interested in: purpose for which loan needed **(1)** security of loans **(1)** profit trends (interest) **(1)** current ratio **(1)** book values of non-current assets compared to saleable value **(1)** order of claim in event of liquidation **(1)**

**Government bodies (1)**
Interested in: wages (income tax) **(1)** profits (corporation tax) **(1)** VAT returns **(1)** forecasts of future expansion **(1)**

**Employees and Trade Unions (1)**
Interested in: profits earned this year **(1)** potential and past profits **(1)** future prospects **(1)** dividends **(1)**

Marks awarded are **one** for each user to a maximum of 3 and a maximum of **two** for the information required by **each** of those users.

In **(b)**, correct answers outside the AS syllabus **will** be accepted. Above answers are **not** exclusive.



**[max 9]**

**[Total: 30]**

**3 (a) (i)**

| | **Total ($)** | **Machining ($)** | **Finishing ($)** | **Stores ($)** | |
|---|---|---|---|---|---|
| Depreciation of plant (Basis – Value of plant) | 6 000 | 5 375 | 500 | 125 | **(1 for all)** |
| Lighting and heating (Basis – Floor area) | 4 500 | 2 250 | 2 025 | 225 | **(1 for all)** |
| Plant insurance (Basis – Value of plant) | 4 800 | 4 300 | 400 | 100 | **(1 for all)** |
| Rent (Basis – Floor area) | 18 000 | 9 000 | 8 100 | 900 | **(1 for all)** |
| Supervision (Basis – No of employees) | 25 000 | 12 000 | 8 000 | 5 000 | **(1 for all)** |
| | 58 300 | 32 925 | 19 025 | 6 350 | |

**[5]**

**(ii)**

| | **Machining ($)** | **Finishing ($)** | **Stores ($)** |
|---|---|---|---|
| From part **(a)** | 32 925 | 19 025 | 6 350 |
| Apportion Spares (No of orders) | 4 500 **(1)of** | 1 850 **(1)of** | (6 350) **(1)of** |
| | 37 425 **(1)of** | 20 875 **(1)of** | – |

**[5]**

**(b)** Machining department $37 425 **(1)of** ÷ 4250 **(1)** = $8.81 per machine hour **(1)of**

Finishing department $20 875 **(1)of** ÷ 4950 **(1)** = $4.22 per direct labour hour **(1)of** **[6]**

**(c)** Machining department $8.81 **(1)of** × 6000 **(1)** = $52 860 **(1)of**

Finishing department $4.22 **(1)of** × 5000 **(1)** = $21 100 **(1)of** **[6]**

**(d)**



| | **Absorbed** | **Charged** | |
|---|---|---|---|
| Machining department | $52 860 | $48 340 | $4520 **(1)of** over absorbed **(1)of** |
| Finishing department | $21 100 | $22 780 | $1680 **(1)of** under absorbed **(1)of** |

**[4]**

**(e)** Actual hours worked differs from forecast hours **(1)**. When more hours are actually worked than forecast this will result in an over absorption **(1)**. When fewer hours are actually worked than forecast this will result in under absorption **(1)**. This means that production will be charged with more or less overheads **(1)**. **[4]**