## UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced/Advanced Subsidiary Level

## MARK SCHEME for the November 2005 question paper

## 9706 ACCOUNTING

9706/02

Structured Questions maximum raw mark 90

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

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

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

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the Report on the Examination for this session.

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

CIE is publishing the mark schemes for the November 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY of CAMBRIDGE International Examinations

Page 1	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – November 2005	9706	2

1 (a) Bank balance is \$43 000.

Trading, Profit and Loss and Appro	priation acc	ount for the	year ended	30 April 20	05
	\$	\$	\$	\$	
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 premi	ses		10 400		1
Provision for depreciation on equip	ment		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		k Schen			Syllabus	Paper
	GCE A/AS LEV	EL – No	vember 20	05	9706	2
c) Balance She	eet as at 30 April 2005					
_		\$	\$	\$	\$	
Fixed Assets	5		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 Ass	ets					
Stock			85 000			
Debtors		57 000				
less provisio	n for doubtful debts	1 425	55 575			1
Bank			113 200			10F
Prepayment			3 300	257 075		
	e within one year					
Trade Credit			43 000			
Accrual			2 000			
Dividends du	Je		18 400	63 400		1
Net Current					193 675	1
					642 475	
Creditors du	e after one year					
5% Debentu				100 000		
Loan				25 000	125 000	1
					517 475	
Financed by						
Issued Shar						
	inary shares of \$0.50 each				170 000	1
	preference shares of \$1 ea				80 000	1
					250 000	
Reserves					200 000	
Share premi	um			82 000		1
Profit and Lo				90 475		1
General rese				95 000	267 475	1
General 1630				0000	517 475	
					017 475	(11)
d) Share premi	ium is the amount above th	ne fece i	alue of a ch	are at which	h it may	(1)
a) onale premi	Example: a \$1 share may b					

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

to pay up unissued shares as fully paid bonus shares.

(ii) to write off preliminary expenses on formation of the company

to write off expenses incurred in share issues.

to provide any premium payable on redemption of shares or debentures.

Up to 4 points (4)

	ige 3	)	GCE A		Scheme L – Novemk	or 2005		Syllabus 9706	Paper 2	
			GCL A					9700	2	
40	1-1	A annual start of		lauran bart	2004					
A2	(a)	Accumulated f	und at 1 M	lovember .	2004	Dr	Cr			
						S	s			
		Bank				5 950				
		Subscriptions i	in arrears			550				
		Subscriptions i				000	100			
		Stock	mauvanos			6 390	100			
		Creditors				0 380	4 235			
		Dance					50			
		Equipment				8 000	00	2 marks		
		Depreciation				0 000	2 000	per pair		
		Accumulated f	fund				14 505	per pui		
		rioournaiacourr	ana			20 890	20 890		(4)	
							20000		(4)	
	(b)	Restaurant Tra	ading Acco	ount for the	year ended	31 Octobe	r 2005			
				\$	S	S	S			
		Sales		1979	24	10	62 100			
		Less cost of sa	ales							
		Opening stock	10.5418			6 390				
		Purchases			35 500					
		Plus	1	4 785						
		Less	1	4 235	550	36 050				
						42 440				
		Less closing st	tock			7 520	34 920			
		Gross profit					27 180	1of		
		General expen	ISES			2 100		1		
		Wages				7 800		1		
		Depreciation				550	10 450	1		
		Net profit					16 730		(6)	
	(c)	Income & Exp	enditure a	ecount for	vear ended	31 October	2005			
	(-)				Jean eniada	\$	\$	\$		
		INCOME				. S	65	1.500		
		Subscriptions :	= 17600-5	50+650+1	00-450			17 350	5	
		Restaurant pro			1230126			16 730	1of	
								34 080		
		EXPENDITUR	E					2020.2020		
		Annual dance	= 3750-50	+125			3 825		3	
		Wages = 2/3 x					15 600		3	
		Repairs					4 320			
		General experi	1ses = 542	0-2100			3 320		2	
		Interest on loa	n = 5% of	60000			3 000		2	
		Depreciation -	clubhouse			1 300			1	
		Depreciation -	equipmen	ıt		2 800	4 100	34 165	2	
		Deficit	212 (12)			0.5-01/07/0		85	1of	
									(20)	
								otal marks	30	

Page 4		Mark Sche	me	Syllabus	Paper
	GCE A/AS	LEVEL – N	ovember 2005	9706	2
CHECK					
CHECK	\$	s	\$		
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		

Ра	ge 5	Mark Sc	Syllabus	Paper	
		GCE A/AS LEVEL – November 2005			
A3	Workings				
		\$			
	Selling price	800	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 value
			도 그는 것이 가 있는 것이 가 되었다. 영양에서 전 것이 가지 않는 것이 있는 것이 있다. 이 것 같이 있다. 이 것 같이 있다. 이 것 같이 있다. 이 것 같이 있다. 이 가 있다.		

Fixed sales overhead

\$120 000

٠

1 see 1 marks 1 below

September 2005	\$000	\$000
Opening stock		Nil
Production costs		
Direct materials	240	
Direct labour	216	
Variable overheads	120	
Fixed overheads	384	960
less closing stock		240
Production cost of sales		720
OR (1800 × 400)		17 1 - 12 a

## Marginal costing

Absorption 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 a	sales	432	1 below
OR (1800 x 240)			

Over-absorption of overheads

Production volume	2400 units	1
Fixed overheads per unit	\$160	
Fixed overheads absorbed	\$384 000	1 see marks
Fixed overheads incurred	\$320 000	1 below
Over-absorbed	\$64 000	
	and the second s	

Page 6			k Scheme EL – November	2005		Sylla 97		Pape 2
						51		<u> </u>
ANSWERS								
(n) (l)			(a) (ii)					
(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	6	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 produce	be	2400			
Profit - marginal	344		Quantity sold		1800			
Difference	96		Closing stock		600			
1			1	1				
Stock has increased by 600 u total of \$96 000	inits which	a	counts for 600 x	\$160 of 1	fixed costs	s, a		
1							(4)	
(a)	100							
(c)	****		Cales advanta	-	6000			
Fixed costs	\$000		Sales price per u	nit	\$800	1		
Production overhead	320		less VC	100				
Admin overhead Sales overhead	80	1	DM	100				
Cales overhead	120	1		80				
	520		Prod o/h	60	220	4		
			Sales o/h Unit contribution	80	320	1		
			Unit contribution		\$450	ា		
Break-even = FC/c = \$520 0	00/480	=	1,084 units.			2 OF	1000	
							(8)	
					Total n	andra	30	