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

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

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

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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 (1^{st} Half of the Year)	5 100	
Depreciation (2^{nd} 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]

(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]