## MARK SCHEME for the October/November 2014 series

# 9706 ACCOUNTING

9706/21

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

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Page 2	Mark Scheme		Syllabus	Paper
	Cambridge International AS/A Level – October/N	lovember 2014	9706	21
1 (a)				
(a)		\$		\$
	Profit for the year	Ŧ	250	-
	ADD		12	000 <b>(2)</b>
	Credit note		262	000
	LESS			
	Inventory	3 750	(2)	
	Interest	2 000	(1)	
	Repairs (+ 500 – 2000)	1 500	(2)	
	Motor vehicle insurance (-14 800 + 13 000)	1 800	(2)	
	Irrecoverable debts	8 000	<b>(1)</b> 17	050
	Corrected profit for the year		244	950
				[10

<sup>(</sup>b)

Chen Ya Wen Corrected Statement of Financial Position at 31 May 2014

Non-current assets	\$		\$		\$	
Buildings at valuation Equipment at net book value Motor vehicles at net book value					500 000 240 000	
(-2000 + 500 - 16 000)					382 500	(3)
Current assets				<u> </u>	122 500	
Inventory (55 000 – 6000 + 2250) Trade receivables (34 000 – 8000)	51 250 26 000	(2) (2)				
Other receivables (4000 + 13 000 + 1200)	18 200	(1)				
Cash and cash equivalents Total assets	2 000	(1)		12	97 450 219 950	
Capital and liabilities						
Capital (opening)			900 000	(4)05		
Add profit for the year			<u>244 950</u> 1 144 950	(1)OF		
Less drawings			75 000			
				1 (	069 950	
Non-current liabilities Loan Current liabilities					100 000	
Trade payables (52 000 – 12 000)	40 000	(1)				
Other payables (8000 + 2000)	10 000	(1)		- 1 (	50 000 219 950	
Total capital and liabilities						12]

Page 3	B Ma	rk Scher	ne		Syl	labus	Pap	ber
	Cambridge International AS	5/A Level	- 00	tober/November 2014	9	706	2′	
(c)			Cash	book				
	Balance Dividends	\$ 8 000 450 8 450	(1) (1)	Bank charges Dishonoured cheque Corrected CB balance	9	_7	\$ 150 1 200 7 100 3 450	(1) (1) [4]
(d)	Bank re	econciliat	on st	atement at 31 July 201	4 \$			
	Bank statement balance Less cheques not yet presented Add cheques lodged not yet cree Cash book balance			(2	600 000) 500 100	(1) (1) (1) (1) Fi	g. + w	vords

[4]

[Total: 30]

Partners' capital accounts         A       B       C       A       B       C         Goodwill       60 000 (1)       30 000 (1)       30 000 (1)       30 000 (1)       Bal. b/d       38 500       27 600       100 000 (1)         Bal. c/d       58 500 $\overline{37}$ 600 $\overline{70}$ 000 (1) <t< th=""><th>Pag</th><th>e 4</th><th></th><th></th><th>lark Scheme</th><th></th><th></th><th>Syllabus</th><th></th></t<>	Pag	e 4			lark Scheme			Syllabus	
Partners' capital accounts         A       B       C       A       B       C         Goodwill       60 000 (1)       30 000 (1)       30 000 (1)       30 000 (1)       Goodwill       80 000 (1)       40 000 (1)         Bal. c/d       58 500 $\frac{37 600}{67 600}$ $\frac{70 000}{100 000}$ $\frac{70 000}{100 000}$ $\frac{118 500}{58 500}$ $\frac{67 600}{37 600}$ $\frac{100 000}{70 000}$ (b)       Appropriation account       325 000 $\frac{325 000}{317 500}$ $\frac{325 000}{317 500}$ $\frac{70 000}{317 500}$ Add:       Interest on drawings       A $\frac{1 230}{318 730}$ $\frac{317 500}{317 500}$ $\frac{4 230}{318 730}$ $\frac{113 288}{310 000}$ $\frac{215 442}{215 442}$ Profits       A $4 680$ (1) of       B $3 0000$ (1) of $\frac{215 442}{215 442}$ $\frac{215 442}{215 442}$ Profits       A $107 721$ (1) of $\frac{215 442}{215 442}$ $\frac{215 442}{215 442}$ $\frac{112}{215 442}$			Cambridge Int	ernational A	S/A Level – O	ctober/No	vember 2014	9706	21
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	2 (a	a)			Partners' canit	tal account	ts		
$\begin{array}{c c c c c c c c c c c c c c c c c c c $							15		
Goodwill60 000 (1)30 000 (1)30 000 (1)To 000 (1) OFGoodwill80 000 (1)40 000 (1)Bal. c/d $58 500$ $37 600$ $70 000$ $100 000$ $118 500$ $67 600$ $100 000$ $70 000$ Bal. b/d $58 500$ $37 600$ $100 000$ $70 000$ $70 000$ $70 000$ $70 000$ (b)Appropriation account $325 000$ $325 000$ $37 600$ $100 000$ $70 000$ Bad debt recovered $5 000$ (1) $317 500$ $317 500$ $317 500$ Bad debt $(15 000)$ (1) $317 500$ $317 500$ $318 730$ Deduct: SalariesA $30 000$ B $30 000$ C $30 000$ $30 000$ Interest on capitalA $4 680$ (1) of $(13 288)$ ProfitsA $107 721$ (1) of $215 442$ ProfitsA $107 721$ (1) of $215 442$ Interest on capitalImage: Comparison of the comparison of			A	В	С				
$\begin{array}{c c c c c c c c c c c c c c c c c c c $					• •	Goodwill			
Appropriation account       325 000         Net profit before adjustment $325 000$ Bad debt recovered $5 000 (1)$ Bad debt       (15 000) (1)         Drawings $2 500 (2)$ $(7 500)$ Adjusted net profit $317 500$ Add:       Interest on drawings $A = 1 230 (1) = 1230$ Deduct: Salaries $A = 30 000$ $C = 30 000 (1) = 0000$ Interest on capital $A = 4 680 (1) of$ $B = 30000 (1) = 00000$ Interest on capital $A = 4 680 (1) of$ $B = 3008 (1) of$ Profits $A = 107 721 (1) of$ $215 442 = 1000 (1) = 125 442 = 1000 (1) = 125 442 = 1000 (1) = 1200 (1$			<u>118 500</u>	67 600	<u>100 000</u>				
Net profit before adjustment $325 000$ Bad debt recovered $5 000 (1)$ Bad debt $(15 000) (1)$ Drawings $2500 (2)$ $(7 500)$ Adjusted net profit $317 500$ Add:       Interest on drawings       A $1 230 (1)$ $1 230$ Deduct:       Salaries       A $30 000$ $317 730$ Deduct:       Salaries       A $30 000$ $318 730$ Deduct:       Salaries       A $30 000$ $(1) (90 000)$ Interest on capital       A $4 680 (1)$ of $(13 288)$ Profits       A $107 721 (1)$ of $(13 288)$ $215 442$ $(1) of$ $(2 53 861 (1) of$ $(2 53 861 (1) of$ Image: Column (C) $(2 5 3 861 (1) of$ $(2 5 3 861 (1) of$ $(12 5 442)$	(	b)			Appropriation	account			
Bad debt $(15\ 000)(1)$ Drawings $2\ 500$ (2) $(7\ 500)$ Adjusted net profit       A $1\ 230$ (1) $1\ 230$ Add:       Interest on drawings       A $1\ 230$ (1) $1\ 230$ Deduct:       Salaries       A $30\ 000$ $318\ 730$ Deduct:       Salaries       A $30\ 000$ $(1)\ 090\ 000)$ Interest on capital       A $4\ 680\ (1)\ of$ $(13\ 288)\ 215\ 442$ Profits       A $107\ 721\ (1)\ of$ $(13\ 288)\ 215\ 442$ Profits       A $107\ 721\ (1)\ of$ $(13\ 215\ 442)\ -112\ -11$		I	Net profit before a	djustment	, appropriation	account		325	5 000
Drawings $\frac{2500}{(2)}$ $\frac{(7500)}{317500}$ Adjusted net profit       A $\frac{1230}{(1)}$ $\frac{1230}{318730}$ Add:       Interest on drawings       A $\frac{30000}{318730}$ Deduct:       Salaries       A $30000$ C $30000$ C $30000$ Interest on capital       A $4680$ (1) of         B $3008$ (1) of $(13288)$ Profits       A $107721$ (1) of         B $53860$ (1) of $(215442)$ Image: Colored co				ed					
Adjusted net profit $317500$ Add:       Interest on drawings       A $1230(1)$ $\frac{1230}{318730}$ Deduct:       Salaries       A $30000$ $30000$ Deduct:       Salaries       A $30000$ $90000$ Interest on capital       A $4680(1)$ of $90000$ Interest on capital       A $4680(1)$ of $13288)$ Profits       A $107721(1)$ of $132842$ Profits       A $107721(1)$ of $215442$ Interest on capital       Interest on capital       Interest on capital       Interest on capital         (c)       Interest on capital       Interest on capital       Interest on capital       Interest on capital         Interest on capital       Interest on capital       Interest on capital       Interest on capital       Interest on capital       Interest on capital         Interest on capital       Interest on capital       Interest on capital       Interest on capital       Interest on capital       Interest on capital         Interest on capital       Interest on capital       Interest on capital       Interest on capital       Interest on capital       Interest on capital       Interest on capital       Interest on capit									7 500)
Add:       Interest on drawings       A $\frac{1230}{318730}$ Deduct:       Salaries       A $30\ 000$ B $30\ 000$ B $30\ 000$ C $30\ 000$ (90\ 000)         Interest on capital       A $4\ 680\ (1)\ of$ B $3008\ (1)\ of$ (13\ 288)         Profits       A $107\ 721\ (1)\ of$ B $53\ 860\ (1)\ of$ (13\ 215\ 442)         Image: Column 1       (13\ 215\ 442)         Profits       A $107\ 721\ (1)\ of$ B $53\ 860\ (1)\ of$ (1)\ of         C $53\ 861\ (1)\ of$ (1)\ 215\ 442			•	t			<u> </u>		
$ \begin{array}{c} B & 30\ 000 \\ C & 30\ 000\ (1) & (90\ 000) \\ \end{array} \\ \mbox{Interest on capital} & A & 4\ 680\ (1)\ of \\ B & 3\ 008\ (1)\ of \\ C & 5\ 600\ (1)\ of \\ \hline 215\ 442 \\ \end{array} \\ \mbox{Profits} & A & 107\ 721\ (1)\ of \\ B & 53\ 860\ (1)\ of \\ C & 53\ 861\ (1)\ of \\ \hline 215\ 442 \\ \hline \end{array} \\ \mbox{[12]}  \end{tabular} $						А	<u>    1 230  </u> (1)		1 230
$\begin{array}{cccc} C & \underline{30\ 000}\ (1) & (90\ 000) \\ \\ \text{Interest on capital} & A & 4\ 680\ (1)\ of \\ B & 3\ 008\ (1)\ of \\ C & \underline{5\ 600\ (1)\ of} \\ \underline{215\ 442} \\ \\ \end{array}$ Profits & A & 107\ 721\ (1)\ of \\ B & 53\ 860\ (1)\ of \\ C & \underline{53\ 861\ (1)\ of} \\ \underline{215\ 442} \\ \end{array} [12] (c)		I	Deduct: Salaries			А	30 000		
Interest on capital $A = 4680 (1) \text{ of}$ B = 3008 (1)  of C = 5600 (1)  of C = 53860 (1)  of C = 53861 (									
Profits B $3008(1) \text{ of}$ C $5600(1) \text{ of}$ $(13288)$ 215442 A $107721(1) \text{ of}$ B $53860(1) \text{ of}$ C $53861(1) \text{ of}$ $215442$ [12 (c)						С	<u>    30 000   </u> (1)	) (90	000)
C $5600$ (1) of $(13288)$ 215442 Profits A 107 721 (1) of B 53 860 (1) of C $53861$ (1) of 215 442 [12 (c)		I	nterest on capital			А	4 680 <b>(1</b> )	of	
Profits A 107 721 (1) of B 53 860 (1) of C 53 861 (1) of 215 442 [12] (c)									
Profits A 107 721 (1) of B 53 860 (1) of C 53 861 (1) of 215 442 [12 (c)						С	<u> </u>		<u>_</u>
B 53 860 (1) of C <u>53 861</u> (1) of <u>215 442</u> [12 (c)								213	<u>, 447</u>
C <u>53 861</u> (1) of <u>215 442</u> [12 (c)		I	Profits						
(c)									5 4 4 9
(c)						C	(1)		<u>5 442</u> [ <b>12</b> ]
Partners' current accounts	(	c)							
					Partners' currei	nt accounts	S		

	А	В	С		А	В	С
Drawings	70 500 <b>(1)</b>	46 900 <b>(1)</b>	37 250 <b>(2)</b>	Bal. b/d	4 250	2 975	(1)
Int. on draws	1 230 <b>(1)</b>			Salaries	30 000	30 000	30 000 (1)
				Int. on cap	4 680	3 008	5 600 (1)OF
				Profits	107 721	53 860	53 861 (1)OF
Bal. c/d	74 921	42 943	52 211 (1)OI	F			
	146 651	89 843	89 461		146 651	89 843	89 461
				Bal. b/d	74 921	42 943	52 211 (1)OF

[11]

[Total: 30]

Page 5	Ν	lark So	cheme			Syllabus	Paper
	Cambridge International	AS/A L	evel – Octob	er/Novem	ber 2014	9706	21
3 (a) (	Contribution per unit						
			Ess		Тее	Ew	/e
		\$	\$	\$	\$	\$	\$
	Selling price		22		28		31 (1 for all 3)
	Variable costs						· · · <b>/</b>
	Direct materials	6		6		8	
	Direct labour	8		10		12	
	Overheads (1 for each total marginal cost)	4	18 <b>(1)</b>	5	21 <b>(1)</b>	6	26 <b>(1)</b>
	Contribution per unit (1 for each unit contribution)		4(1)		7 <b>(1)</b>		5 <b>(1)</b>
	,						[7]

### (b) Contribution per batch

	Ess	Tee	Ewe
Contribution per unit	\$4	\$7	\$5 (1 for all 3)
X Batch	3 (1)	2 (1)	5 (1)
Contribution per batch	\$12 <b>(1)</b>	\$14 <b>(1)</b>	\$25 <b>(1)</b>

## (c) Maximum monthly profit

Production plan

Tee13 000(1) Maximum 3 for 2Ewe500(1) Balance availableTotal production40 000Maximum
--

	\$	
19 500 × \$4	78 000	
13 000 × \$7	91 000	
7 500 × \$5	37 500	
	206 500	(1)OF
	180 000	(2)
	26 500	(1)OF
	13 000 × \$7	$\begin{array}{cccc} 13\ 000\times\$7 & 91\ 000 \\ 7\ 500\times\$5 & 37\ 500 \\ 206\ 500 \\ 180\ 000 \end{array}$

[8]

[7]

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### (d) Advantages

- Enables Zumbi to meet maximum demand for Ewe. (1)
- Enables Zumbi to meet maximum demand for Ess. (1)
- Zumbi may be able to use the space saved to make another profitable product. (1)

#### Disadvantages

- Quality of product may not be as good as own (1)
- Supplier may not be reliable (1)
- May not be able to save all the costs (1)
- Fixed costs will now be shared among less products (1)

### [Max 6]

(e) Zumbi should not purchase the product (1) as the purchase cost is greater than the marginal cost (1)

Alternatively,

Zumbi should purchase the product (1) as it will produce a positive contribution of \$1 (1). [2]

[Total: 30]