UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

9706 ACCOUNTING

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

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UNIVERSITY of CAMBRIDGE
International Examinations

1 WORKINGS

1 Calculation for trade receivables (debtors)

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

2 Calculation of opening capital

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

3 Calculation of depreciation

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

(a) Calculation of ordinary goods purchased for the year

	$		
Ordinary goods purchased for cash	228 000	**1**	
less trade payables at start	29 200	**1**	
	198 800		
add trade payables at end	32 200	**1**	
	231 000		**[3]**

(b) Calculation for sales for the year

Cost of sales			
Opening inventory (stock)	24 400	**1**	
Ordinary goods purchased	231 000	**1of**	
	255 400		
Less closing inventory (stock)	30 600	**1**	
	224 800	**1**	
Sales = 224 800 × 1.75 (mark-up)	393 400	**1**	**[5]**

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

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

(d) Balance Sheet at 30 April 2010

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

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

[Total: 30]

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2 (a) Sales Ledger Control Account

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

(b) (i) Amended sales ledger control account

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

OR

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

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

(ii)

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

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

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

[Total: 30]

3 DATA

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

ANSWERS

(a)

(i)
1 $36\,000\,000$
2 $400 - 240$
$225\,000$

(ii)
1 $79\,200\,000$
2 $400 - 220$
$440\,000$

[6]

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

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

[6]

(c)

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

[9]

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

$$\frac{\overset{\mathbf{1}}{36\,000\,000}}{\underset{\mathbf{1}\quad\mathbf{1}}{(480 - 240)} - \underset{\mathbf{1}\quad\mathbf{1}}{(500 - 400)}} = 257\ 143$$

[5]

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

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

[Total: 30]

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