**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

# MARK SCHEME for the May/June 2012 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.

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

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**1 (a) Departmental income statement for the year ended 30 April 2012.**

| | Food | | Clothing | | Toys | | |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | |
| Sales | | 250 000 | | 150 000 | | 100 000 | |
| Cost of sales | | | | | | | |
| Inventory (1/5/11) | 10 000 | | 12 000 | | 31 000 | | |
| Purchases | 67 000 | | 50 000 | | 57 000 | | |
| | 77 000 | | 62 000 | | 88 000 | | |
| Inventory (30/4/12) | 17 000 | 60 000 | 12 000 | 50 000 | 43 000 | 45 000 | **3** |
| Gross profit | | 190 000 | | 100 000 | | 55 000 | |
| Overheads | | | | | | | |
| Wages | 40 000 | | 24 000 | | 16 000 | | **3** |
| Advertising | 5 000 | | 3 000 | | 2 000 | | **3** |
| Heat and light | 12 000 | | 6 000 | | 6 000 | | **3** |
| Insurance | 2 500 | | 1 250 | | 1 250 | | **3** |
| Dep – F & F | 6 000 | 65 500 | 3 000 | 37 250 | 3 000 | 28 250 | **3** |
| Net Profit | | 124 500 | | 62 750 | | 26 750 | |

[18]

**(b)**

- To aid management decision making.
- To measure the efficiency (control of costs) and effectiveness sales income, and to compare one department profitability by using ratios like GP percentage, ROST, etc.
- Helps to compare performance with similar industrial sectors.
- Useful for motivation through target setting.

**Any 3 valid points to a maximum of 6 marks.** [6]

**(c) (i)** Cost is expenditure incurred in the normal course of business to bring the product to its present location and condition and includes import duties, transport and handling costs less trade discounts.

**(ii)** NRV is the actual or estimated selling price (less trade discount) but before cash discount less all further conversion costs and costs incurred in marketing, selling and delivering the goods to the customer.

**1 mark per valid point to a max of 2 x 3** [6]

**[Total: 30]**

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**2 (a) Estimated profit and loss appropriation account for year ended 30 April 2013.**

| | | $ | | $ | | |
|---|---|---|---|---|---|---|
| Net profit for the year | | | | 121 000 | | |
| Add | | | | | | |
| Interest on drawings | J | 500 | **1** | | | |
| | K | 500 | **1** | | | |
| | M | 275 | **1** | 1 275 | | |
| | | | | 122 275 | | |
| Less Interest on capital | | | | | | |
| | J | 4 230 | | | **1** | |
| | K | 2 820 | | | **1** | |
| | M | 1 500 | | (8 550) | **1** | |
| Less salary | | | | (11 000) | **1** | |
| | | | | 102 725 | | |
| Share of profit | J | 55 471.50 | | | **1** | |
| | K | 36 981.00 | | | **1** | |
| | M | 10 272.50 | | 102 725 | **2** | [11] |

**(b) Estimated current account – Maura**

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Drawings | 5 500.00 | **1** | | | | |
| Interest on drawings | 275.00 | **1** | Share of profit | 10 272.50 | **1** | |
| Balance c/d | 16 997.50 | | Salary | 11 000.00 | **1** | |
| | | | Interest on capital | 1 500.00 | **1** | |
| | 22 772.50 | | | 22 772.50 | | [5] |

**(c)**

| | | | |
|---|---|---|---|
| Current salary | 16 500.00 | **1** | |
| Investment income | 2 500.00 | **1** | |
| | $ 19 000.00 | | |
| Estimated income | | | |
| Total earnings | | | |
| Est partnership income | $ 22 497.50 | **1** | |
| Increase in income | 3 497.50 | **1** | |

In monetary terms it is worth accepting the offer of a partnership **2** [6]

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**(d)** Higher sales price with cost of sales staying same or rising less than sales price.

Lower cost of sales with sales price staying same or falling less than cost of sales.

More efficient use of stock with less spoilage, wastage and theft.

NOTE: increase in sales volume is incorrect.

**1 mark per point, one for development to maximum of 4** [4]

**(e)** Lower overhead costs such as rent, rates, heat and light.

Increased efficiency (lower costs)

Higher gross profit margin with overheads remaining the same or less than percentage increase in GP to sales.

**1 mark per point, one for development to maximum of 4** [4]

**[Total: 30]**

**3 (a) (i)**

| | Beach | Explorer | Family | |
|---|---|---|---|---|
| | $ | $ | $ | |
| Sales price | 70 | 130 | 200 | **1** |
| Variable costs | | | | |
| Raw materials | 30 | 36 | 54 | |
| Direct labour | 8 | 20 | 38 | |
| Variable overhead | 6 | 26 | 48 | |
| | 44 | 82 | 140 | **1** |
| Contribution | 26 | 48 | 60 | |
| | **1** | **1** | **1** | |

[5]

**(ii)**

| | $ | | $ | | $ | |
|---|---|---|---|---|---|---|
| Unit contribution | 26 | | 48 | | 60 | |
| Forecast demand | 30 000 | | 40 000 | | 24 000 | |
| Contribution | 780 000 | **1** | 1 920 000 | **1** | 1 440 000 | **1** |

| | | |
|---|---|---|
| Total Contribution | 4 140 000 | |
| Less FC | 3 500 000 | **1** |
| Total profit | 640 000 | **1** |

[5]

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**(b)**

| | $ | $ | $ | |
|---|---|---|---|---|
| Contribution | 26 | 48 | 60 | **1** |
| Raw material (square metres) | 5 | 6 | 9 | **1** |
| Contribution per square metre | 5.20 | 8 | 6.67 | **1** |

[3]

**(c)**

| | | | | |
|---|---|---|---|---|
| Order of priority | 3 | 1 | 2 | |
| | B | E | F | |
| Units | | 40 000 | 24 000 | **2** |
| Square metres | | 6 | 9 | |
| Total | | 240 000 | 216 000 | **2** |
| Material available | = | 546 000 | Square metres | |
| Less used in E and F | | 456 000 | | |
| Available for B | | 90 000 | Square metres | **1** |
| Amount of B that can be produced | = | 90 000/5 | =18 000 units | |
| | B | E | F | |
| Output | 18 000 **2** | 40 000 | 24 000 | |

[7]

**(d)**

| | B | E | F | Total |
|---|---|---|---|---|
| Units produced | 18 000 | 40 000 | 24 000 | |
| Unit contribution | 26 | 48 | 60 | |
| Total contribution | 468 000 | 1 920 000 | 1440 000 | 3 828 000 **3** |
| | | | **1** | **1** |
| Profit = contribution – fixed costs = $3 828 000 – 3 500 000 = $328 000 | | | | |

[5]

**(e)**

If at least 27 000 of Beach Tent to be produced, need 9000 units x 5 sqm for B, i.e. 45 000 sq metres, reducing F's output by 45000/9 = 5000 units

| | B | E | F | Total |
|---|---|---|---|---|
| Units produced | 27 000 | 40 000 | 19 000 | |
| Unit contribution | 26 | 48 | 60 | **3** |
| Total contribution | 702 000 | 1 920 000 | 1 140 000 | 3 762 000 |
| | | | | |
| | | | **1** | **1** |
| | | | | |
| Profit = contribution – fixed costs = $3 762 000 – 3 500 000 = $262 000 | | | | |

[5]

**[Total: 30]**

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