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

9706/21 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.

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UNIVERSITY of CAMBRIDGE International Examinations

1 (a) –3810 + 163 100 + 34 000 + 2 680 + 1 200 + 4 100 + 515 + 1 300 = $203 085
Award 1 mark for each correct pair and 1o/f for Total [5]

(b) –3 420 + 141 508 + 6 300 + 1 200 + 11 850 + 1 600 – 140 = $158 898
Award 1 mark for each correct pair except for Drawings which gets 1 mark and Total which gets 1o/f [5]

(c)

Clara Coyle
Income Statement (trading and profit and loss account)
for the year ended 31 December 2009

	$	$	$	
Revenue (sales)			203 085	**(1of)**
Opening Inventory (Stock)	24 170			
Ordinary goods purchased (Purchases)	158 898	**(1of)**		
		183 068		
Less Closing Inventory (Stock)		20 600		
Cost of Sales			162 468	
Gross Profit			40 617	**(1of)**
Discounts received		1 600	**(1)**	
			1 600	
			42 217	
Less Expenses				
Rates		2 800	**(1)**	
General expenses		7 490	**(1)**	
Wages		22 920	**(1)**	
Depreciation		3 000		
Discounts allowed		1 300	**(1)**	
			37 510	
Profit for the year (Net Profit)			4 707	

[8]

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(d)

Clara Coyle
Balance Sheet as at 31 December 2009

Non-Current (Fixed) Assets			
	$	$	$
Premises			60 000
Fittings			25 000
			85 000 **(1)**
Current Assets			
Inventory (stock)		20 600 **(1o/f)**	
Trade Receivables (debtors)		4 100 **(1)**	
Rates Prepaid		240 **(1)**	
Bank		31 332 **(1o/f)**	
Cash		515 **(1)**	
		56 787	
Current Liabilities			
Trade Payables (creditors)	11 850 **(1)**		
General expenses	400 **(1)**		
Wages	1 620 **(1)**		
		13 870	
Working Capital			42 917
Total Assets less current liabilities			127 917
Non-Current (long term) Liabilities			
Loan		10 000 **(1)**	
			10 000
			117 917
Financed by:			
Capital			117 000
Profit for the year (Net Profit)			4 707 **(1of)**
			121 707
Drawings			3 790 **(1)**
			117 917

[12]

[Total: 30]

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2 (a)

Subscriptions Account

Balance b/d	400 **(1)**	Balance b/d	300 **(1)**
Income and Expenditure Account	2800 **(1of)**	Bank / Cash (300 + 2 200)	2500 **(2)**
		Bad debt	100 **(1)**
		Balance c/d	300 **(1)**
	3,200		3,200

[7]

(b)

Schubert Music Club
Cafe Trading Account for the year ended 31 December 2009

	$	$	$
Cafe takings			18 500 **(1)**
Opening Inventory (stock)	4 000 **(1)**		
Purchases (8 400 + 2 200 – 3 000)	7 600 **(2)**		
		11 600	
Closing Inventory (Stock)		2 000 **(1)**	
Cost of Sales			9 600
Gross Profit			8 900
Less Expenses			
Cafe expenses (4 200 – 1 200 + 50)		3 050 **(2)**	
Wages – Cafe Staff		5 000	
			8 050
Cafe Profit			850 **(1of)**

[8]

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(c)

Schubert Music Club
Income and Expenditure Account for the year ended 31 December 2009

	$		$
Income			
Subscriptions	2 800	**(1of)**	
Life Subscriptions (4 000 / 20 = 200) + ((6 × 500) / 20 = 150) = 350	350	**(2)**	
Cafe Profit	850	**(1of)**	4 000
Expenditure			
Competition cash prizes	6 000	**(1)**	
Sundries	2 500	**(1)**	
Bad debts	100	**(1)**	
Depreciation – Clubhouse	2 000	**(1)**	
Depreciation – Equipment	1 000	**(1)**	11 600
Deficit			(7 600)

[9]

(d) Increase membership
Increase subscriptions
Encourage life subscriptions
Social events
Or other relevant suggestions
(3 × 2 marks for analysis) (1 plus 1 for development) [6]

[Total: 30]

3 (a) (i) 120 000 **(1)** / (6 **(1)** – 5 **(1)**)
= 120 000 **(1)** units

120 000 × $6 **(1)** = $720 000 **(1of)** [6]

(ii)

	$	
Selling Price	6	
Variable Costs	5	
Contribution per unit	1	**(2 c/f)**
Quantity	200 000	
	200 000	
Fixed Costs	120 000	**(1)**
Profit	80 000	**(1)**

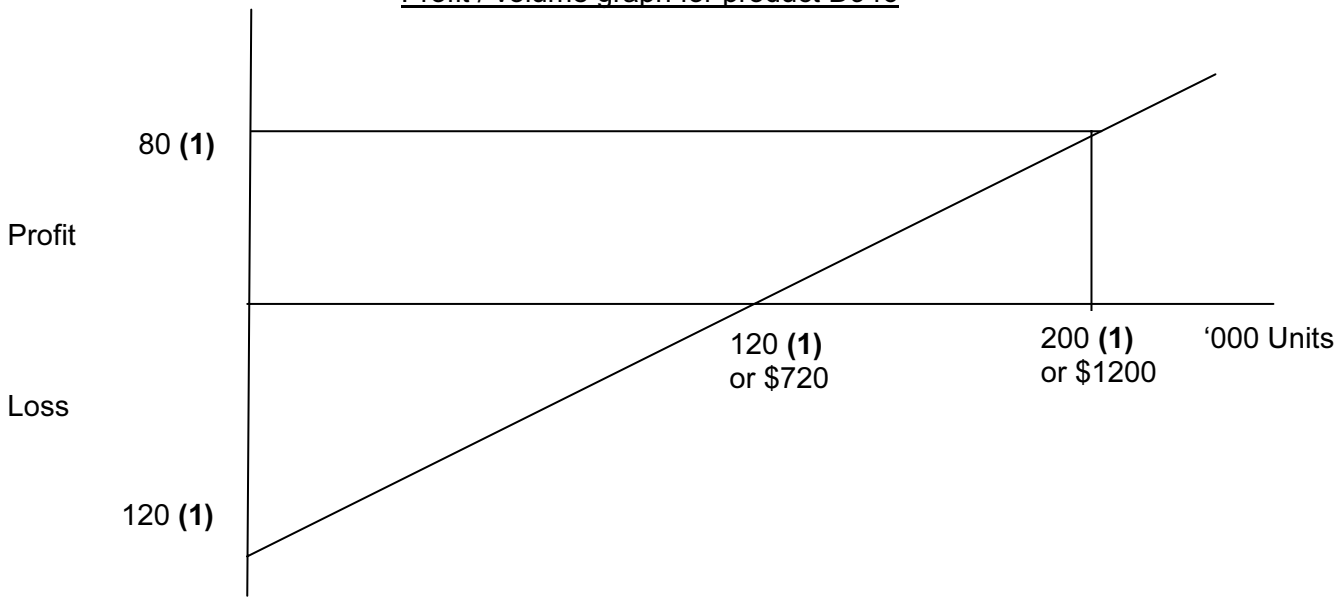
[4]

(iii) Margin of safety = 200 000 **(1)** – 120 000 **(1of)** = 80 000 units
80 000 / 200 000 **(1)** × 100 = 40% **(1of)** [4]

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(b)

Profit / volume graph for product D946



[4]

(c)

	D946		D947		D948			
Selling Price per unit	6		9		13			
Less Variable Costs per unit	5		10.50		10			
Equals Contribution per unit	1		(1.5)	**(1)**	3	**(1)**		
× Number of Units	200 000		50 000	**(1)**	30 000	**(1)**		
Equals Total Contribution	200 000	**(1)**	(75 000)	**(1)**	90 000	**(1)**	215 000	**(1)**
Less Fixed Costs							240 000	**(1)**
Equals Profit / Loss							(25 000)	**(1)**

NB Total figures, that is total sales and total variable costs, are equally acceptable [10]

(d) All three products should not **(1)** be produced. D947 should be eliminated as it has a negative contribution **(1)**. [2]

[Total: 30]

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