UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2011 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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1 (a)

Iqbal

Income Statement (Trading and Profit and Loss Account)

For the year ended 31 March 2011

	$	$	$
Revenue (sales) (85 000 – 7 200 **(1)** + 8 300 **(1)** + 1 400 **(1)** + 24 000 **(1)**)			111 500
Opening Inventory (Stock)	8 000		
Ordinary goods purchased (Purchases) (37 000 – 3 400 **(1)** – 2 400 **(1)** + 3 700 **(1)** + 500 **(1)**)	35 400		
		43 400	
Less Closing Inventory (Stock)		9 200	
Cost of Sales			34 200
Gross Profit			77 300
Discounts received		500 **(1)**	
			500
			77 800
Less Expenses			
Motor expenses		3 800 **(1)**	
Rent		5 800 **(1)**	
Rates		1 700 **(1)**	
Wages		18 000 **(1)**	
Discounts allowed		1 400 **(1)**	
Loan interest		700 **(1)**	
Provision for doubtful debts		249 **(1)**	
Depreciation – Fixtures and fittings		8 000 **(1)**	
Depreciation – Delivery van		2 500 **(1)**	
			42 149
Profit for the year (Net Profit)			35 651

[18]

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(b)

Iqbal

Statement of Financial Position (Balance Sheet) at 31 March 2011

	$	$	$	
Non-Current (Fixed) Assets				
Fixtures			68 000	
Delivery van			7 500	
			75 500	**(1)**
Current Assets				
Inventory (stock)		9 200	**(1)**	
Trade receivables (debtors)		8 051	**(1)**	
Rent		600	**(1)**	
Rates		300	**(1)**	
Cash and cash equivalents (bank)		31 350	**(1)**	
		49 501		
Current Liabilities				
Trade payables (creditors)	3 700	**(1)**		
Loan interest	700	**(1)**		
		4 400		
Working Capital			45 101	
Total Assets less current liabilities			120 601	
Non-Current (long term) Liabilities				
Loan		14 000	**(1)**	
			14 000	
			106 601	
Financed by				
Capital			98 350	**(1)**
Profit for the year (Net Profit)			35 651	**(1of)**
			134 001	
Drawings			27 400	**(1)**
			106 601	

[12]

[Total 30]

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2 (a)

16 800	× 1%	=	168 **(1)**
12 600	× 2%	=	252 **(1)**
(7 100 – 700)	× 3%	=	192 **(2)**
1 300	× 10%	=	130 **(1)**
			742 **(1)**

[6]

(b) (i) Must have correct narrative to gain marks.

Provision for Doubtful Debts

	$			$	
Income Statement	58	**(1of)**	Balance b/d	800	**(1)**
Balance c/d	742	**(1of)**			
	800			800	

[3]

(ii)

Bad Debts

	$			$	
Debbie	700	**(1)**			
Harvey	450	**(1)**	Income Statement **(1)**	1500	**(1)**
Others	350	**(1)**			
	1500			1500	

[5]

(iii)

Harvey

	$			$	
Balance b/d	600	**(1)**	Bank	150	**(1)**
			Bad Debts	450	**(1)**
	600			600	

[3]

(c)

Balance Sheet (extract) at 31 December 2010

	$	
Trade receivables	37 100	
Less provision for doubtful debts	742	**(1of)**
	36 358	**(1of)**

[2]

(d) (i) ($37 100 × 4%) = $1484 – $742 = $742 [2]

(ii) Reduce net profit for the year **(1)**
Reduce trade receivables/current assets/balance sheet total **(1)** [2]

(iii) Prudence concept **(1)** Current provision $742 is 2% of the debtors **(1)** Actual bad debts are $1500 **(1)** This may suggest the provision is insufficient. **(1)** [4]

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(e) Past experience
Specific knowledge about a customer
The state of the economy
Consistency concept
Industry average
Length of time
Size of debtors
Comparing with previous years or with competitors. (3 × 1 mark) [3]

[Total 30]

3 (a)

	Machining		Assembly		Maintenance		Canteen	
Brought forward	143 500		154 700		165 800		176 900	
Maintenance	99 480	**(1)**	49 740	**(1)**	(165 800)	**(1)**	16 580	
Canteen	77 392	**(1)**	116 088	**(1)**			(193 480)	**(1)**
Total	320 372	**(1)**	320 528	**(1)**				

[8]

(b) Machining Department = 320 372 **(1of)** / 18 845 **(1)** = $17.00 **(1of)** per machine hour **(1)**

Assembly Department = 320 528 **(1of)** / 20 350 **(1)** = $15.75 **(1of)** per labour hour **(1)** [8]

(c)

	$	
Materials	12.00	**(1)**
Labour	56.00	**(1)**
Overheads – machining (17.00 × 3)	51.00	**(1of)**
Overheads – assembly (15.75 × 4)	63.00	**(1of)**
Cost per unit	182.00	**(1of)**

[5]

(d) 182 **(1of)** × 1.25 **(1)** = $227.50 **(1of)** [3]

(e) 640 900 **(1)** / (227.50 **(1of)** – 68.00 **(1of)**) = 4019 (accept 4018.18) units **(1of)** [4]

(f) Assumes:
Everything produced is sold.
Selling price is linear.
Variable costs are linear.
Fixed costs remain unchanged.
A single product firm.
Product mix remains constant.
No semi variable costs.
No external factors.
Is based on estimates. (2 × 1 mark) [2]

[Total 30]

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