CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

9706 ACCOUNTING

9706/22 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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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1 (a) Statement of opening capital

	$
Assets	
Premises	100 000
Equipment	24 000
Inventory	16 800
Bank	8 000
Trade receivables	26 800
Prepayments	1 200
	176 800
Less liabilities	
Trade payables	21 200
Capital at 1 May 2011	155 600

Award 1 mark for every pair, including the capital, where seen [4]

(b) Sharon Woo Income Statement for the year ended 30 April 2012

	$		$	
Revenue (sales)				
Cash (260 000 + 18 000)			278 000	**2**
Credit (40 000 + 24 800 – 26 800 + 7 200)			45 200	**4**
			323 200	
Cost of sales				
Inventory (1 June 2011)	16 800			
Purchases (216 000 + 22 400 – 21 200 + 10 800)	228 000	**4**		
	244 800			
Inventory (30 April 2012)	20 800		224 000	
Gross profit			99 200	
Add discount received			10 800	**1**
			110 000	
LESS				
Discount allowed	7 200	**1**		
Wages (22 000 + 12 000)	34 000	**1**		
Rent (10 000 + 1 200 – 1 600)	9 600	**1**		
Depreciation (24 000 + 20 000 – (4 800 + 400) – 36 400)	2 400	**5**		
Loss on sale	400	**1**	53 600	
Net profit			56 400	

[20]

(c) **1 of 1 of 1 of**

ROCE = 56 400/155 600 = 36.25% [3]

(d)
- Allows investor to make decisions between alternatives
- Allows comparison with similar businesses
- Allows comparison with less risky investments, e.g. Bank

One mark per relevant point to maximum of 3 [3]

[Total: 30]

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2 (a) Amina and Nizam
Appropriation account for the year ended 31 December 2011

	$		$		$	
Profit for the year					120 000	
Add Charged for interest on drawings:						
Amina			1 300	**1**		
Nizam			1 750	**1**	3 050	
					123 050	
Less Salary: Amina			24 450	**1**		
Less Interest on capital:						
Amina	6 000	**1**				
Nizam	9 600	**1**	15 600		40 050	
					83 000	
Balance of profits shared:						
Amina			31 125	**1**		
Nizam			51 875		83 000	[6]

(b) Current Account

	Amina $	Nizam $			Amina $	Nizam $	
Balance b/d	8 400	3 200		Interest on capital	6 000	9 600	**1**
Drawings	26 000	35 000	**1**	Salaries	24 450		**1**
Interest on Drawings	1 300	1 750	**1**	Share of Profit	31 125	51 875	**1**
Balance c/d	25 875	21 525	**1 of**				
	61 575	61 475			61 575	61 475	[6]

(c) Capital Account

	Amina $	Nizam $	Sarah $			Amina $	Nizam $	Sarah $	
Goodwill	12 000	20 000	8 000	**1**	Balance b/d	160 000	240 000		**1**
					Cash			70 000	**1**
					Inventory			30 000	**1**
					Motor vehicle			20 000	**1**
Balance c/d	163 000	245 000	112 000		Goodwill	15 000	25 000		**1**
	175 000	265 000	120 000			175 000	265 000	120 000	[6]

(d) 1 Sales 18 200 **1**
Suspense 18 200 **1**

2 Suspense 9 600 **1**
Discounts allowed 9 600 **1**
Suspense 9 600 **1**
Discounts received 9 600 **1**

3 Bank 9 400 **1**
Suspense 9 400 **1** [8]

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(e) Suspense Account

Balance B/F	8 400		Sales	18 200	**1**
Discounts allowed	9 600	**1**	Bank	9 400	**1**
Discounts received	9 600	**1**			
	27 600			27 600	

All OF from **(d)** [4]

[Total: 30]

3 **(a)**

	Aloe	Hazel	Peach
Sales (litres)	120 000	39 000	60 000
Divided by per hour	8 litres	4 litres	5 litres
Hours	15 000	9 750	12 000

Total hours (15 000 + 9 750 + 12 000) = 36 750 hours **2 or 0** [2]

(b) Profit Statement

	Aloe	Hazel	Peach	
Sales (litres)	120 000	39 000	60 000	
	$	$	$	
Sales income	960 000	546 000	600 000	
Less				
Direct materials	(324 000)	(304 200)	(321 600)	**1**
Variable OH	(216 000)	(85 800)	(60 000)	**1**
Direct labour	(48 000)	(31 200)	(38 400)	**3**
Total contribution	372 000	124 800	180 000	
Less Fixed costs	(195 000)	(126 750)	(156 000)	**3**
Net profit/loss	177 000	(1 950)	24 000	**3**

Total profit $199 050 **1** [12]

(c)

	Aloe	Hazel	Peach	
Hours	15 000	9 750	12 000	**1**
Total contribution	$372 000	$124 800	$180 000	**1**
C per labour hour	$24.80	$12.80	$15.00	**1**

[3]

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(d)

	Aloe	Peach	
Sales (litres)	132 000	66 000	**1**
Sales price	$8	$10	
	$	$	
Sales income	1 056 000	660 000	
Less			
Direct materials	(356 400)	(353 760)	**1**
Variable OH	(237 600)	(66 000)	**1**
Direct labour	(52 800)	(42 240)	**1**
Fixed costs	(214 500)	(171 600)	**2**
Net profit/loss	194 700	26 400	
Total Profit	221 100		
Less fixed OH under absorbed	163 900		**2**
Revised profit	$57 200		**1**

[9]

(e) Original profit = $199 050
Revised profit = $ 57 200
Reduction in profit $141 850

Maintain production of all 3 shampoos.
Do not halt production of Peach shampoo as fixed cost burden for other 2 products increases.
Peach is making a contribution to fixed costs.

Two marks per valid point. [4]

[Total: 30]

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