UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 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.

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

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

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UNIVERSITY *of* CAMBRIDGE
International Examinations

1 (a)

Current accounts

	Henry $	Robin $		Henry $	Robin $
Balance b/d	6 600	–	Balance b/d		1 000
	1	**1**		**1**	**1**
Drawings	12 000	8 000	Interest on capital	9 600	6 400
	1	**1**		**1**	**1**
Int drawings	600	400	Salary	5 000	4 000
				1	**2**
	1	**2**	Share of profit	15 000	10 000
Balance c/d	10 400	13 000			
	$29 600	$21 400		$29 600	$21 400
			Balances b/d	10 400	13 000

[14]

(b) Net profit for the year

	Henry $	Robin $	Total $	
ADD				
Share of profit	15 000	10 000	25 000	**2**
Salary	5 000	4 000	9 000	**2**
Interest on capital	9 600	6 400	16 000	**2**
LESS				
Interest on drawings	600	400	–1 000	**2**
Net profit			49 000	

OR

OC + CC + DRAWINGS = $5 600 (**3**) + 23 400 (**3**) + 20 000 (**2**) = $49 000 [8]

(c) The advantages are:

- More capital is available
- Different partners may have different skills that are beneficial to the business
- The management of the business can be shared
  - The business is more efficient
  - There are more ideas
  - The responsibility is shared, so less stress
- Losses can be shared

2 marks for each valid comment. [8]

[Total: 30]

2 (a) Café income statement (trading and profit and loss account) for the year ended 30 April 2011

	$		$	
Revenue (sales)			90 000	**1**
Cost of sales				
Inventory (1 May 2010)	6 500	**1**		
Purchases	36 000	**1**		
	42 500			
Inventory (30 April 2011)	4 800	**1**		
	37 700			
Add Direct wages (28 800 + 4000 – 500)	32 300	**2**	70 000	
Gross profit			20 000	
LESS				
Overheads				
Heating and lighting (40% × 18 000)	7 200	**1**		
Rent (40% × 21 000)	8 400	**1**	15 600	
Profit for the year (net profit)			$4 400	[8]

(b) Income and Expenditure account for the year ended 30 April 2011

	$		$	
Profit on café	4 400	**1OF**		
Subscriptions				
(34 000 – 2 200 + 3 600 + 5 000 – 3 500)	36 900	**5**		
Donations	450	**1**		
Ticket sales	14 560	**1**	56 310	
Rent (60% × 21 000)	12 600	**1**		
Heating and lighting (60% × 18 000)	10 800	**1**		
Depreciation of equipment	10 400	**2**		
Interest on loan	1 000	**2**	34 800	
Surplus income/expenditure			$21 510	[14]

(c) Balance Sheet at 30 April 2011

	$	$		$	
Non-current (fixed) assets	Cost	Depreciation		NBV	
Equipment	104 000	14 400		89 600	**1**
Current Assets					
Inventory	4 800				
Subscriptions in arrears	3 600				
Bank	4 010				
		12 410	**1**		
Current liabilities					
Subscriptions prepaid	3 500				
Loan interest	1 000				
Wages accrued	4 000	8 500	**1**		
Net current assets				3 910	
				93 510	
Non-current liabilities					
Loan				20 000	**1**
Net assets				73 510	
Accumulated fund		52 000	**3**		
ADD Surplus I/E		21 510	**1(OF)**	73 510	

If accumulated fund shown as $73 510 award four marks.
Award 1 mark for every pair, where seen
Accumulated fund calculation

Assets			
Equipment (40 000 – 4 000)		36 000	**1**
Inventory		6 500	
Bank		12 800	
Subscriptions due		2 200	
		57 500	
Less liabilities			
Subscriptions paid in advance	5 000		
Wages accrued	500	5 500	
		52 000	

[8]

[Total: 30]

(a)

	Ojo 1 $	Ojo 2 $	Ojo 3 $		
Sales price	400	450	550	**1**	
Variable costs	<u>300</u>	<u>380</u>	<u>486</u>	**1**	
Contribution	100	70	64	**1**	
Fixed overhead	<u>50</u>	<u>60</u>	<u>60</u>	**1**	
Profit per unit	50	10	4	**1**	[5]

(b)

	Ojo 1 $	Ojo 2 $	Ojo 3 $		
Revenue (sales)	400 000	315 000	220 000	**1**	
Variable costs	<u>300 000</u>	<u>266 000</u>	<u>194 400</u>	**1**	
Contribution	100 000	49 000	25 600	**1**	
Fixed overhead	<u>50 000</u>	<u>42 000</u>	<u>24 000</u>	**1**	
Total profit	50 000	7 000	1 600	**1**	[5]

OR

	Ojo 1 $	Ojo 2 $	Ojo 3 $		
Revenue (sales)	400	450	550	**1**	
Variable costs	<u>300</u>	<u>380</u>	<u>486</u>	**1**	
Contribution	100	70	64	**1**	
Sales in units	1000	700	400		
Total contribution	100 000	49 000	25 600		
Fixed overhead	<u>50 000</u>	<u>42 000</u>	<u>24 000</u>	**1**	
Total profit	50 000	7 000	1 600	**1**	[5]

(c)

	Ojo 1	Ojo 2	Ojo 3		
<u>Fixed overhead</u>	<u>50000</u>	<u>42000</u>	<u>24000</u>	1	
Cont per unit	100	70	64	1	
BEP	500	600	375	1	
Margin of safety	500	100	25	1	[4]

(d) Statement of profit using marginal costing

	February	March	April	
	$	$	$	
Revenue (sales)	21 000	28 000	31 500	**1**
Opening inventory	4 000	0	2 000	**2**
Variable costs	8 000	18 000	20 000	**1**
	12 000	18 000	22 000	
Closing inventory	0	2 000	4 000	**2**
Variable COGS	12 000	16 000	18 000	
CONTRIBUTION	9000	12 000	13 500	**1**
Fixed costs	4 000	4 000	4 000	**1**
Profit	5 000	8 000	9 500	

ALTERNATIVE ANSWER

Statement of profit using marginal costing

	February	March	April	
	$	$	$	
Selling price	700	700	700	
Less Marginal cost	400	400	400	
Contribution per unit	300	300	300	**1**
Units sold	30	40	45	
Total contribution	9 000	12 000	13 500	**3**
Less FC	4 000	4 000	4 000	**1**
Profit	5 000	8 000	9 500	**3**

[8]

(e) Statement of profit using absorption costing

	February	March	April	
	$	$	$	
Revenue (sales)	21 000	28 000	31 500	
Opening inventory	5 000	0	2 500	**2**
Production costs	10 000	22 500	25 000	**1**
Goods available	15 000	22 500	27 500	
Closing inventory	0	2 500	5 000	**2**
Cost of Sales	15 000	20 000	22 500	
GROSS PROFIT	6 000	8 000	9 000	
Less overhead U/A	2 000			**1**
Add overhead O/A		500	1 000	**2**
Profit for the month	4 000	8 500	10 000	

ALTERNATIVE ANSWER

Statement of profit using absorption costing

	February	March	April	
	$	$	$	
Selling price	700	700	700	
Less Marginal cost	500	500	500	**1**
Gross profit per unit	200	200	200	**1**
Units sold	30	40	45	
Total gross profit	6 000	8 000	9 000	**3**
Less overhead U/A	2 000			**1**
Add overhead O/A		500	1 000	**2**
Profit for the month	4 000	8 500	10 000	

[8]

[Total: 30]