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

9706/23 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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UNIVERSITY of CAMBRIDGE
International Examinations

1 (a) (i) Revenue
(203 200 – 22 400 **1** + 28 600 **1** + 4 000 **1** + 18 510 **1**) = $231 910 [4]

(ii) Ordinary goods purchased
(122 460 – 17 500 **1** + 19 470 **1** + 3 100 **1** – 3 700 **1**) = $123 830 [4]

(b) **Shaun**
Income Statement for the year ended 31 December 2011

	$		$		$
Income/Sales					231 910
Opening inventory	22 300	**1**			
Ordinary goods purchased	123 830				
			146 130		
Less Closing inventory			17 400	**1**	
Cost of sales					128 730
Gross Profit					103 180
Additional Income					
Rent received			18 900	**1**	
Discounts received			3 100	**1**	22 000
					125 180
Expenses					
General expenses			21 540	**1**	
Wages			30 660	**1**	
Discounts allowed			4 000	**1**	
Depreciation equipment			18 200	**1**	
Depreciation motor vehicles			16 000	**1**	
Provision for doubtful debts			572	**1**	
					90 972
Profit for the year					34 208

[10]

(c) **Shaun**
Statement of Financial Position at 31 December 2011

Non-Current (Fixed) Assets							
	$		$		$		
Premises					100 000		
Equipment					27 600		
Motor vehicles					68 200		
					195 800	**1**	
Current Assets							
Inventory			17 400	**1**			
Trade receivables			28 028	**1**			
General expenses			900	**1**			
Rent receivable			1 300	**1**			
			47 628				
Current Liabilities							
Trade payables	19 470	**1**					
Wages	500	**1**					
Bank overdraft	8 290	**1**					
			28 260				
Net current assets/working capital					19 368		
					215 168		
Financed by							
Capital					212 880	**2 of**	
Profit for the year					34 208	**1 of**	
					247 088		
Drawings					31 920	**1**	
					215 168		[12]

[Total: 30]

2 (a) (i)

	2010		2011		
Motor vehicles					
MV1	5 200		5 200		
MV2	1 800		3 600		
MV3			3 600		
	7000	**2**	12 400	**1**	[3]

(ii)

	2010		2011		
Equipment					
EQ1	4 500		4 500		
EQ2			6 600		
	4 500	**1**	11 100	**1**	[2]

(b) (i)

	2010		2011		
Motor vehicles					
MV1	6 500		4 875	**1**	
MV2	4 500		3 375	**1**	
MV3			6 000	**1**	
	11 000	**2**	14 250		[5]

(ii)

	2010		2011	
Equipment				
EQ1	6 000		4 800	**1**
EQ2			8 800	**1**
	6 000	**1**	13 600	

[3]

(c) **Statement to show revised profit for the year**

	2010		2011	
Original net profit	86 000		94 000	
Add back original depreciation	11 500	**1 of**	23 500	**1 of**
Deduct new depreciation	17 000	**1 of**	27 850	**1 of**
Revised net profit	80 500		89 650	

[4]

(d) The reducing balance method is suited to non-current assets such as motor vehicles that have a heavier fall in value in the early years of their life. Repair and maintenance costs increase of the life of the asset and then offset the decreasing depreciation charge.

(3 × 1 mark) [3]

(e) (i) **Wages**

	$			$	
Bank	24 100		Balance b/d	2 040	**1**
Balance c/d	2 130	**1**	Income statement	24 190	**1**
	26 230			26 230	
			Balance b/d	2 130	

[3]

(ii) **Insurance**

	$		$	
Bank	1 400	Balance b/d	130	**1**
		Income statement	660	**1**
		Balance c/d	610	**1**
	1 400		1 400	
Balance b/d	610			

[3]

(iii) **Rent received**

	$			$	
Income statement	14 170	**1**	Balance b/d	1 490	**1**
Balance c/d	1 320	**1**	Bank	14 000	**1**
	15 490			15 490	
			Balance b/d	1 320	

[4]

[Total: 30]

3 (a) 960 000 **1** / 2 400 000 **1** = 40% **1 of** [3]

(b) **Job 787**

	$		
Direct labour	4 500	**1**	
Direct material	500	**1**	
Prime cost	5 000		
Factory overhead	1 800	**1 of**	
	6 800		
General administration 20%	1 360	**1 of**	
Total cost	8 160		
Profit	2 720	**1 of**	
Selling price	10 880	**1 of**	[6]

(c) **(i)**

1	150 000 / 500 000 =	30%	**1**	
2	450 000 / 1 000 000 =	45%	**1**	
3	360 000 / 900 000 =	40%	**1**	[3]

(ii)

1	150 000 / 120 000 =	$1.25	**1**	
2	450 000 / 225 000 =	$2	**1**	
3	360 000 / 200 000 =	$1.80	**1**	[3]

(d) **Job 787**

	$				
Prime cost			5 000		
Overhead Production	500	**2 of**			
Overhead Assembly	1 400	**2 of**			
Overhead Packing	1 170	**2 of**			
Factory overhead			3 070		
			8 070		
General administration 20%			1 614	**1 of**	
Total cost			9 684		
Profit			3 228	**1 of**	
Selling price			12 912	**1 of**	[9]

(e) **(i)** Management decision-making relies heavily on the provision of accurate information. Use of estimated data which could be inaccurate can lead to under / over absorption of overhead. [2]

(ii) If the factory actual activity is less than the budgeted activity it faces under absorption of overhead. Not enough overhead is charged to each unit of production – this may affect pricing decisions which may influence profitability.

If the factory actual activity is higher than the budgeted activity it faces over absorption of overhead – too much overhead may be charged – this may affect pricing decisions which may influence demand and revenue for the product.

1 mark each for mention of under or over absorption.
2 marks each to a max of 4 for any other valid comment. [4]

[Total: 30]