MARK SCHEME for the October/November 2010 question paper

for the guidance of teachers

9706 ACCOUNTING

9706/23 Paper 2 (Structured Questions – Core), maximum raw mark 90

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1A (a) (i)

<u>James and Gemma</u>
<u>Income Statement (Trading and Profit and Loss) and Appropriation Account</u>
<u>for the six month period ending 30 June 2009</u>

	$	$	$
Revenue (sales)			90 000
Less Cost of sales			
Opening Inventory (Stock)	6 300		
Purchases	70 000 **(1)**		
		76 300	
Less Closing Inventory (Stock)		16 300	
Cost of sales			60 000
Gross Profit			30 000
Less Expenses (Working 1)			
General expenses		6 000 **(1)**	
Depreciation		5 100 **(1)**	
Loan interest		1 350 **(1)**	
			12 450
Profit for the year (Net Profit)			17 550
Less Salaries:			
James		0	
Gemma		3 000 **(1)**	
		3 000	
Less Interest on capital:			
James (90 000 × 8% × 6 / 12)	3 600 **(1)**		
Gemma (60 000 × 8% × 6 / 12)	2 400 **(1)**		
		6 000	
			9 000
			8 550
Balance of profits shared:			
James		4 275 **(1)**	
Gemma		4 275	
			8 550

Working 1

Total expenses	25 525	
Depreciation (1st Half of the Year)	5 100	
Depreciation (2nd Half of the Year)	5 725	
Loan Interest	2 700	45 000 × 6% = 2 700pa
General Expenses	12 000	

[8]

(ii)

James and Gemma
Income Statement (Trading and Profit and Loss) and Appropriation Account
for the six month period ending 31 December 2009

	$	$	$
Revenue (sales)		150 000	
Less Cost of sales			
Opening Inventory (Stock)	16 300		
Purchases	104 000		
		120 300	
Less Closing Inventory (Stock)		20 300	
Cost of Sales			100 000
Gross Profit			50 000
Less Expenses			
General expenses		6 000 **(1)**	
Loan interest		1 350 **(1)**	
Depreciation		5 725 **(1)**	
			13 075
Profit for the year (Net Profit)			36 925
Less Salaries:			
James		0	
Gemma		3 000 **(1)**	
		3 000	
Less Interest on capital:			
James (115 000 x 8% x 6 / 12)	4 600 **(1)**		
Gemma (60 000 x 8% x 6 / 12)	2 400 **(1)**		
		7 000	
			10 000
			26 925
Balance of profits shared: (2 : 2 : 1)			
James		13 462.50	
Gemma		13 462.50 **(1)**	
			26 925

[7]

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(b)

	James		Gemma			James		Gemma	
Drawings	15 200	(1)	18 300	(1)	Balance b/d	12 000	(1)	9 000	
					Interest on capital	8 200	(1)	4 800	(1)
					Salaries	0		6 000	(1)
Balance c/d	22 737.50		19 237.50		Share of Profit	17 737.50		17 737.50	
	37 937.50		37 537.50			37 437.50		38 037.50	
					Balance b/d	22 737.50		19 237.50	

[6]

(c) Increased skills
Additional capital
Spread risk
Holiday / sickness cover
Shared workload
(1 each maximum of 3) [3]

1B **(i)** 240 000 / (18 000 + 22 000) / 2 = 12 **(1)** times **(1)**

 (ii) 24 000 / 500 000 = 4.8 **(1)** % **(1)**

 (iii) 63 000 / 64 000 = 0.98 **(1)** : 1 **(1)** [6]

[Total: 30]

2 **(a)** 300 units **(1)** @ $20 **(1)** = $6 000 **(2 cf or 1 of)** [4]

(b)

Paula Bridgewater
Income Statement (trading account) for the month of February 2009

	$	$	$	
Sales			182 000	**(1)**
Opening Inventory (Stock)	7 000 **(1)**			
Purchases	97 000 **(1)**			
		104 000		
Closing Inventory (Stock)		6 000 **(1)**		
Cost of Sales			98 000	
Gross Profit			84 000	**(1of)**

[5]

(c) Stock should be valued at the lower of cost and net realisable value.
IAS states companies should either use the FIFO or AVCO method of stock valuation.
Whichever method is used should be used consistently – Consistency concept.
Prudence concept states that companies should choose the lowest value when valuing their assets.

(3 × 2 marks) (1 plus 1 for development) [6]

(d)

Paula Bridgewater
Income Statement (trading account) for the period ending 31 December 2009

	$	$	$
Sales			362 000 **(1)**
Opening Inventory (Stock)	11 700 **(1)**		
Purchases	22 600 **(1)**		
		34 300	
Closing Inventory (Stock)		7 150 **(2)**	
Cost of Sales			27 150
Gross Profit			9 050 **(1of)**

(Accept any other format or calculation) [6]

(e) Depreciation for the period = (6000 – 600) × 20% × 2/12 = $180 **(2)**
Net Book Value = 3 840 **(1)** – 180 **(1of)** = 3 660 [4]

(f)

Total Trade Receivables (debtors)

Bal b/d	2 400	Bad debt	600 **(1)**
		Cash / bank	4 300 **(1)**
Sales	6 500 **(1)**	Bal c/d	4 000 **(2cf or 1of)**
	8 900		8 900

[5]

[Total: 30]

3 (a) (i)

Cutting Department	501 600 / 76 000	$6.60 **(1)**
Pressing Department	450 000 / 72 000	$6.25 **(1)**
Production Department	702 000 / 104 000	$6.75 **(1)**
Assembly Department	264 000 / 44 000	$6.00 **(1)**

[4]

(ii)

Cutting Department	364 800 / 76 000	$4.80 per DLH **(1)**
Pressing Department	439 200 / 72 000	$6.10 per DLH **(1)**
Production Department	509 600 / 104 000	$4.90 per DLH **(1)**
Assembly Department	233 200 / 44 000	$5.30 per DLH **(1)**

[4]

(b)

Statement to show total cost for Job Number SMC20

		$	$	
Direct materials			140 156	**(1)**
Direct labour				
Cutting Department		13 200		
Pressing Department		9 000		
Production Department		16 200		
Assembly Department		6 000	44 400	**(1)**
Prime cost			184 556	
Factory overheads				
Cutting Department	13 200 / 6.60 = 2 000 (1) × 4.80	9 600		**(1)**
Pressing Department	9 000 / 6.25 = 1 440 (1) × 6.10	8 784		**(1)**
Production Department	16 200 / 6.75 = 2 400 (1) × 4.90	11 760		**(1)**
Assembly Department	6 000 / 6.00 = 1 000 (1) × 5.30	5 300		**(1)**
			35 444	
Cost of production			220 000	**(1of)**
Administration costs			44 000	**(1of)**
Total cost			264 000	

[12]

(c) Selling price = 264 000 **(1of)** × 125% **(1)** = $330 000 **(1of)**   [3]

(d) Overheads tend to be related to time.
The company may be labour intensive
Using a departmental labour rate is appropriate if different grades of labour are used in each department.

(2 × 2 marks – 1 for point and 1 for development / 1 further mark for evaluation point)
[5]

(e) Single factory rate
Machine hour rate
Unit cost
% prime cost
% direct labour cost
% direct material cost
Activity based costing

(2 x 1 mark)   [2]

[Total: 30]