

MARK SCHEME for the October/November 2008 question paper

9706 ACCOUNTING

9706/02

Paper 2 (Structured Questions), 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.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

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

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1 (a)		2006	2007	2008	
		\$	\$	\$	
	Fixed assets	750 000	870 000	1 200 000	1
	Stocks	660 000	690 000	825 000	1
	Debtors	<u>390 000</u>	<u>420 000</u>	<u>495 000</u>	1
		1 800 000	1 980 000	2 520 000	
	Less Creditors	-346 000	-404 000	-448 000	1
	Bank overdrafts	<u>-285 000</u>	<u>-255 000</u>	<u>-375 000</u>	1
		1 169 000	1 321 000	1 697 000	
	Capital accounts	<u>-600 000</u>	<u>-600 000</u>	<u>-780 000</u>	1
		569 000	721 000	917 000	
	Current accounts	-320 000	-569 000	-721 000	
	Add back Drawings	123 000	148 000	218 000	3
	Salary	<u>45 000</u>	<u>60 000</u>	<u>65 000</u>	3
	Profit for year	417 000	360 000	479 000	

[12]

(b) (i)	Capital account – Michael					
		\$		\$		
	30/9/06	Bal c/d	<u>150 000</u>	1/10/05	Bal b/d	<u>150 000</u> 1
	30/9/07	Bal c/d	<u>150 000</u>	1/10/06	Bal b/d	<u>150 000</u>
				1/10/07	Bal b/d	150 000
	30/9/08	Bal c/d	<u>210 000</u> 1		Bank	<u>60 000</u> 1
			<u>210 000</u>			<u>210 000</u>
				1/10/08	Bal b/d	210 000
(ii)	Current account – Michael					
		\$		\$		
	30/9/06	Drawings	36 000 1	1/10/05	Bal b/d	80 000 1
		Bal c/d	<u>106 000</u> 1of	30/9/06	S of Res	<u>62 000</u> 1of
			<u>142 000</u>			<u>142 000</u>
	30/9/07	Drawings	30 000 1	1/10/06	Bal b/d	106 000
		Bal c/d	<u>126 000</u> 1of	30/9/07	S of Res	<u>50 000</u> 1of
			<u>156 000</u>			<u>156 000</u>
	30/9/08	Drawings	8 000 1	1/10/07	Bal b/d	126 000
		Bal c/d	<u>187 000</u> 1of	30/9/08	S of Res	<u>69 000</u> 1of
			<u>195 000</u>			<u>195 000</u>
				1/10/08	Bal b/d	187 000 1

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Alternative current account – Michael

				\$				\$	
30/9/06	Drawings	81 000	1	1/10/05	Bal b/d	80 000	1		
				30/9/06	Salary	45 000			
	Bal c/d	<u>106 000</u>	1of		S of Res	<u>62 000</u>	1of		
		<u>187 000</u>				<u>187 000</u>			
30/9/07	Drawings	90 000	1	1/10/06	Bal b/d	106 000			
				30/9/07	Salary	60 000			
	Bal c/d	<u>126 000</u>	1of		S of Res	<u>50 000</u>	1of		
		<u>216 000</u>				<u>216 000</u>			
30/9/08	Drawings	73 000	1	1/10/07	Bal b/d	126 000			
				30/9/08	Salary	65 000			
	Bal c/d	<u>187 000</u>	1of		S of Res	<u>69 000</u>	1of		
		<u>260 000</u>				<u>260 000</u>			
				1/10/08	Bal b/d	187 000	1		

POSSIBLE LAYOUT USING 3 COLUMNS

b (i)	2006	2007	2008		2006	2007	2008
Bal c/d	150 000	150 000	210 000	1	Bal b/d	150 000	150 000
					Bank		60 000
							1
b (ii)							
Draw'gs	36 000	30 000	8 000	1	Bal b/d	80 000	106 000
Bal c/d	106 000	126 000	187 000	1	S of R	62 000	126 000
	1of	1of	1+1of			1of	1of
							69 000
							1of
OR							
Draw'gs	81 000	90 000	73 000	1	Bal b/d	80 000	106 000
Bal c/d	106 000	126 000	187 000	1	Salary	45 000	126 000
	1of	1of	1+1of		S of R	62 000	65 000
						1of	69 000
							1of

In the alternative answer, drawings may correctly be split into drawings given in question and drawings (salary).

Share of residue is calculated by subtracting Michael's salary from profit for the year and dividing the answer by 6 (his profit-share). [14]

- (c) The capital account shows the long-term resources invested in the partnership, and there is usually little movement of funds here. The current account shows the profits earned by each partner and the movement of funds such as drawings, interest on drawings, share of residue, interest on capital and partnership salaries.

One mark for each relevant point to a maximum of 4. [4]

[Total: 30]

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2 A(a)(i)	Dr(\$)		Cr(\$)	Balance(\$)	
Credit sales	33 000	1		33 000	
Discount allowed		1	660	32 340	
Bad debts		1	990	31 350	
Receipts from debtors		1	19 350	12 000	[4]

ALTERNATIVE VERSION – ACCEPT EITHER

	Dr(\$)		Cr(\$)	Balance(\$)	
Credit sales	33 000	1		33 000	
Discount allowed		1	4 400	28 600	
Bad debts		1	990	27 610	
Receipts from debtors		1	15 610	12 000	[4]

(ii)	\$				
Sales	220 000				
Less gross profit	<u>99 000</u>				
Cost of sales	121 000	1			
Add closing stock	<u>19 500</u>	1			
Purchases	140 500	1			[3]

(iii)	Dr(\$)		Cr(\$)	Balance(\$)	
Credit purchases		1of	140 500	140 500	
Discount received	2 810	1		137 690	
Payments to creditors	126 690	1of		11 000	[3]

Must use purchases figure from (ii) or no own figures

(b) (i) Trading and profit & loss account for year ending 30 November 2009

		\$	\$
Sales			220 000
Less cost of sales			
Purchases	140 500		
Less closing stock	<u>19 500</u>		<u>121 000</u>
Gross profit	1		99 000
Discount received	1		2 810
			101 810
Discount allowed	1	4 400	
Wages and salaries	1	19 800	
Bad debts	1	990	
Sundry expenses	1	11 000	
Depreciation – motor vehicles	1	8 000	
Depreciation – fixtures and fittings	1	<u>3 600</u>	<u>47 790</u>
Net profit			<u>54 020</u> [8]

ACCEPT 660 FOR DISCOUNT ALLOWED

Net profit will then be \$57 760

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(ii) Balance sheet at 30 November 2009

	\$		\$		\$	
Fixed assets	Cost		Depreciation		Net book value	
Land and buildings	70 000				70 000	1
Motor vehicle	20 000		8 000		12 000	1
Fixtures and fittings	<u>18 000</u>		<u>3 600</u>		<u>14 400</u>	1
	<u>108 000</u>		<u>11 600</u>		96 400	
Current assets						
Stock	19 500					
Debtors	12 000					
Bank	<u>71 718</u>	1of	103 218			
Amounts due over one year						
Creditors			<u>11 000</u>			
Net current assets					<u>92 218</u>	
					<u>188 618</u>	
Proprietor's interest						
Capital at 1 December 2008					150 000	
Net profit		1of			<u>54 020</u>	
					204 020	
Less drawings		1of			<u>15 402</u>	
					<u>188 618</u>	[6]

B BANK IS A BALANCING FIGURE AND CAN ONLY BE AWARDED IF THE TOTALS OF BOTH SECTIONS OF THE BALANCE SHEET AGREE. DRAWINGS MUST BE 10,000 + 10% OF NET PROFIT

- Stock wastage
 - Stock pilferage
 - Sales price reduced
 - Purchase price increased
 - Opening stock overstated
 - Closing stock understated
 - Theft from till
 - Sales mix altered
 - Increased carriage in
 - Increased expenses
 - More bad debt
 - Etc.
- Any six points to a maximum of 6

[Total: 30]

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3 (a)	FC/c = 400000/(35-9-11) =	26666.67 units =	\$933,333
	1 1	26 667 units =	\$93,345
		1	1

Accept above figures or approximations of them. Candidates may use the C/S formula which, if rounded, could lead to a **correct** dollar figure of 930232.

Accept this and other approximations but do check workings.

WORKINGS ARE WORTH 2 MARKS WHETHER SHOWN OR NOT, SO **EITHER** FIGURE IS WORTH 3 MARKS PLUS 1 MARK FOR THE OTHER FIGURE.

(b) Three months ended	28 February \$000	31 May \$000	31 August \$000
Marginal costing			
Sales	<u>2 100</u> 1	<u>2 800</u> 1	<u>1 575</u> 1
Opening stock	300 1	0	700
Production variable costs	<u>900</u> 1	<u>2 300</u> 1	<u>600</u> 1
	1 200	2 300	1 300
Closing stock	<u>0</u>	<u>700</u> 1	<u>400</u> 1
	<u>1 200</u>	<u>1 600</u>	<u>900</u>
Contribution	900	1 200	675
Fixed costs	<u>400</u>	<u>400</u>	<u>400</u> 1 all three
Profit	500 1of	800 1of	275 1of

[13]

Stocks are calculated on the basis of \$20 per unit – i.e. no fixed costs

DO NOT MIX AND MATCH THE ABOVE VERSION WITH THOSE BELOW –

IF ANY STOCKS ARE SHOWN THEN PRODUCTION COSTS MUST BE AS ABOVE.

ALTERNATIVE VERSION

	February	March	April
Sales	2 100 1	2 800 1	1575 1
Less	540 1	720 1	405 1
	<u>660</u> 1	<u>1 600</u> 1	<u>900</u> 1
Contribution	900	1 200	675
Fixed o'heads	<u>400</u>	<u>400</u> 1 all three	<u>400</u>
	500 1of	800 1of	275 1of

[13]

In the last version, candidates have (correctly) multiplied the **individual** figures of selling price, direct material and direct labour by 60 000, 80 000 and 45 000.

IF YOU SEE THE ABOVE CONTRIBUTION FIGURES, THEY ARE WORTH A TOTAL OF 9 MARKS.

OTHER VERSIONS SUCH AS USE OF UNIT CONTRIBUTION ARE ACCEPTABLE.

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(c) Absorption costing

Sales	<u>2 100</u>		<u>2 800</u>		<u>1 575</u>
Opening stock	375	1	0		875
Production variable costs	900		2 300		600
Fixed costs	<u>400</u>		<u>400</u>		<u>400</u>
	1 675		2 700		1 875
Closing stock	<u>0</u>		<u>875</u>	1	<u>500</u>
	<u>1 675</u>		<u>1 825</u>		<u>1 375</u>
Profit	425	1of	975	1of	200
					1of

Stocks are calculated on the basis of \$20 variable + \$5 fixed costs = \$25 per unit. [7]

OTHER METHODS ARE ACCEPTABLE

(d) Reconciliation

Profit per marginal costing	500		800		275
+ overhead in closing stock	<u>0</u>	1	<u>175</u>	1	<u>100</u>
	500		975		375
– overhead in opening stock	<u>75</u>	1	<u>0</u>	1	<u>175</u>
Profit per absorption costing	<u>425</u>		<u>975</u>		<u>200</u>

Candidates may correctly reverse the order, i.e. deduct closing stock first. [6]

[Total: 30]