UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2009 question paper

for the guidance of teachers

9706 ACCOUNTING

9706/22 Paper 22 (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, 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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1 **(a)** The amount of a liability may be determined with some accuracy **(1)**
e.g. rent accrued at the year-end (or other relevant example) **(1)** whereas
the amount of a provision is not readily determinable **(1)**.

Any three to a maximum of   [3]

(b) Total sales:

	+$000	–$000	$000	
Paid into bank			2 950	
Sale of furniture and equipment		50		
Cash used for expenses	152			**1**
Cash taken for drawings	70			**mark**
Debtors at beginning of year		610		**for**
Debtors at end of year	400			**any**
Cash at beginning of year		6		**two**
Cash at end of year	5			
	627	666	(39)	
			2 911	

Any reasonable format is acceptable   [4]

(c) Bank account

	$000	$000	$000	
Balance b/f			(210)	**1**
Takings (2 950 – 50)	2 900		2 690	**mark**
Furniture and equipment	50		2 740	**for**
Paid creditors		1 750	990	**any**
Expenses		810	180	**two**
Interest		30	150	

Does not need to be in account format   [3]

(d) Trading and profit and loss account for the year ended 30 April 2009

	$000	$000	
Sales		2 911	**(1 of)**
Less cost of sales			
Opening stock	1 500		
Add purchases (1 750 + 510 – 920)	1 340		**(2)**
	2 840		
Less closing stock	720	2 120	
Gross profit		791	
Add profit on sale of furniture and equipment		2	**(1)**
		793	
Expenses (810 – 98 + 90 + 152)	954		**(3)**
Interest paid	30		**(1)**
Depreciation			
Furniture & equipment (208 – 48) × 25%	40		**(2)**
Motor vehicle (12 × 25%)	3		**(1)**
Provision for doubtful debts (400 × 4%)	16	1 043	**(1)**
Net loss		–250	[12]

(e) Summary of balance sheet at 30 April 2009

	$000	$000	$000	
Fixed assets				
Furniture and equipment (208 – 48 – 40)			120	**(2)**
Motor vehicle (12 – 3)			9	**(1)**
			129	
Current assets				
Stock		720		
Debtors (400 – 16)		384		**(1)**
Bank		150		**(1 of)**
Cash		5	1 259	
			1 388	
Financed by:				
Capital at 1 May 2008			1 096	
Motor vehicle introduced			12	**(1)**
			1 108	
Less				
Net loss		250		**(1 of)**
Drawings		70	320	**(1)**
			788	
Current liabilities				
Creditors for supplies		510		
Creditors for expenses		90	600	
			1 388	**[8]**

[Total: 30]

2 (a) (i) Furniture and equipment account

		$000				$000	
2008				2008			
1 May	Balance b/d	2 970	**(1)**	3 Sep	Disposal	300	**(1)**
1 June	Bank	540	**(1)**	2009			
3 Dec	Bank	80	**(1)**	30 Apr	Balance c/d	3 290	
		3 590				3 590	
2009							
1 May	Balance b/d	3 290	**(1)**				**[5]**

(ii) Motor vehicles account

		$000				$000	
2008				2009			
1 May	Balance b/d	1 800	**(1)**	1 Feb	Disposal	56	**(1)**
2009							
1 Feb	Bank	240	**(1)**	30 Apr	Balance c/d	1 984	
		2 040				2 040	
1 May	Balance b/d	1 984	**(1)**				**[4]**

(iii) Provision for depreciation on furniture and equipment account

		$000				$000	
2008				2008			
3 Sep	Disposal	90	**(1)**	1 May	Balance b/d	897	**(1)**
2009				2009			
30 Apr	Balance c/d	1 136		30 Apr	Profit & loss	329	**(1)**
		1 226				1 226	
				1 May	Balance b/d	1 136	**(1)** **[4]**

(iv) Provision for depreciation on motor vehicles account

		$000				$000	
2009				2008			
1 Feb	Disposal	42	**(1)**	1 May	Balance b/d	840	**(1)**
				2009			
30 Apr	Balance c/d	1 294		30 Apr	Profit & loss	496	**(1)**
		1 336				1 336	
				1 May	Balance b/d	1 294	**(1)** **[4]**

(v) Disposal of furniture and equipment account

		$000				$000	
2008				2008			
3 Sep	Asset a/c	300	**(1)**	3 Sep	Depreciation	90	**(1)**
					Bank	132	**(1)**
					Profit & loss	78	**(1 of)**
		300				300	**[4]**

(iv) Disposal of motor vehicle account

		$000				$000	
2009				2009			
1 Feb	Asset a/c	56	**(1)**	1 Feb	Depreciation	42	**(1)**
	Profit & loss	6	**(1 of)**		Bank	20	**(1)**
		62				62	**[4]**

(b) Depreciation is an expense used to spread the **net** cost of a fixed asset over its
If, for example, a motor vehicle costing $10 000 is expected to last for five years afte
its scrap value will be $1 000, then its net cost will be $(10 000 – 1 000) = $9
Using straight-line depreciation, an annual charge of $9 000/5 - $1 800 would be made in t
profit and loss account.
There are various correct answers, too numerous to show here. [max. 5]

[Total: 30]

3 **(a)** **(i)** DATA for P235

	MACHINE		
	A	B	C
Order quantity	3 000	3 000	3 000
Production rate per hour	100	150	200
Operating hours	30	20	15
Number of operators	4	5	6
Direct labour hours worked	120	100	90

COSTS FOR P235

	$	$	$	
Direct materials (A × 300/100)	9 000	9 000	9 000	**(3)**
Direct labour (Ex 10.50)	1 260	1 050	945	**(3)**
Variable overheads (Ex 12)	1 440	1 200	1 080	**(3)**
Setup	200	330	600	**(1)**
	11 900	11 580	11 625	**(3 of)**

   (ii) Use machine B as it costs least. **(1 of)** [14]

(b) NEW DATA FOR P235

	MACHINE		
	A	B	C
Order quantity	3 000	3 000	3 000
Production rate per hour	120	180	240
Operating hours	25	16.67	12.50
Number of operators	5	6	7
Direct labour hours worked	125	100	87.50

AMENDED COSTS FOR P235

	$	$	$	
Direct materials	8 100	8 100	8 100	**(3)**
Direct labour	1 312.50	1 050	918.75	**(3)**
Variable overheads	1 500	1 200	1 050	**(3)**
Setup	200	330	600	
	11 112.50	10 680	10 668.75	**(3 of)**

[12]

(c) **(i)** Advise use C as now cheapest. **(2 of)**

   (ii) Retain additional operator as this brings costs down. **(2 of)** [4]

[Total: 30]