

**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.

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

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1 (a) (i) Revenue
 $(203\,200 - 22\,400 + 28\,600 + 4\,000 + 18\,510) = \$231\,910$

(ii) Ordinary goods purchased
 $(122\,460 - 17\,500 + 19\,470 + 3\,100 - 3\,700) = \$123\,830$ [4]

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

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

[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
			<u>195 800</u> 1
Current Assets			
Inventory		17 400	1
Trade receivables		28 028	1
General expenses		900	1
Rent receivable		1 300	1
		<u>47 628</u>	
Current Liabilities			
Trade payables	19 470	1	
Wages	500	1	
Bank overdraft	8 290	1	
		<u>28 260</u>	
Net current assets/working capital			<u>19 368</u>
			<u>215 168</u>
Financed by			
Capital			212 880 2 of
Profit for the year			<u>34 208</u> 1 of
			247 088
Drawings			<u>31 920</u> 1
			<u>215 168</u>
			[12]
			[Total: 30]

2 (a) (i)	2010	2011	
Motor vehicles			
MV1	5 200	5 200	
MV2	1 800	3 600	
MV3		<u>3 600</u>	
	<u>7000</u> 2	<u>12 400</u> 1	[3]
(ii)	2010	2011	
Equipment			
EQ1	4 500	4 500	
EQ2		<u>6 600</u>	
	<u>4 500</u> 1	<u>11 100</u> 1	[2]
(b) (i)	2010	2011	
Motor vehicles			
MV1	6 500	4 875 1	
MV2	4 500	3 375 1	
MV3		<u>6 000</u> 1	
	<u>11 000</u> 2	<u>14 250</u>	[5]

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(ii)	2010	2011	
Equipment			
EQ1	6 000	4 800	1
EQ2		8 800	1
	<u>6 000</u>	<u>13 600</u>	[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	23 500	1 of
Deduct new depreciation	17 000	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 over 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
Balance c/d	<u>2 130</u>	Income statement	<u>24 190</u>
	<u>26 230</u>		<u>26 230</u>
		Balance b/d	2 130

(ii)

		Insurance	
Bank	\$ 1 400	Balance b/d	\$ 130
		Income statement	660
	<u>1 400</u>	Balance c/d	<u>610</u>
Balance b/d	610		<u>1 400</u>

(iii)

		Rent received	
Income statement	\$ 14 170	Balance b/d	\$ 1 490
Balance c/d	<u>1 320</u>	Bank	<u>14 000</u>
	<u>15 490</u>		<u>15 490</u>
		Balance b/d	1 320

[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	<u>500</u>	1	
Prime cost	5 000		
Factory overhead	<u>1 800</u>	1 of	
	6 800		
General administration 20%	<u>1 360</u>	1 of	
Total cost	8 160		
Profit	<u>2 720</u>	1 of	
Selling price	<u>10 880</u>	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	<u>1 170</u>	2 of	
Factory overhead			<u>3 070</u>
			8 070
General administration 20%			<u>1 614</u> 1 of
Total cost			9 684
Profit			<u>3 228</u> 1 of
Selling price			<u>12 912</u> 1 of

(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]