



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

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ACCOUNTING

9706/02

Paper 2 Core Topics

For Examination from 2010

SPECIMEN MARK SCHEME

1 hour 30 minutes

MAXIMUM MARK: 90

This document consists of **5** printed pages and **1** blank page.



1 (a) Income statement for the year ended 30 April 2010

	\$	\$	\$	
Revenue (Sales)			243 000	
Less returns			<u>2 040</u>	
			240 960	
Less cost of sales				
Inventory at 1 May 2009		13 500		
Ordinary good purchased (Purchases)	184 000			
Less returns	<u>1 980</u>			(1)
	182 020			
Add carriage in	<u>350</u>	<u>182 370</u>		(1)
		195 870		
Less stock at 30 April 2010		<u>15 100</u>	<u>180 770</u>	
Gross profit			60 190	
Discount received			1 300	
Rent receivable (2420 + 220)			2 640	(1)
Doubtful debts provision (500 – 3% × (9000-200))			<u>236</u>	(1)
			64 366	
Bad debts written off		200		
Carriage out		800		
Discount allowed		1 800		
Electricity (2100 – 40)		2 060		(1)
General expenses (9340 + 50)		9 390		(1)
Depreciation on machinery ((52000 – 15600) × 40%)		14 560		(1)
Interest due on loan ((11% × 60000)/2)		<u>3 300</u>	<u>32 110</u>	(1)
Profit for the year			<u><u>32 256</u></u>	[8]

(b) Balance Sheet at 30 April 2010

	\$	\$	\$	
Non-current Assets			Net Book Value	
Property			250 000	
Machinery			<u>21 840</u>	(1) of if < 36 400
			271 840	
Current Assets				
Inventory (stock)	15 100			
Trade Receivables (Debtors)	8 800			must be 8800 and
Less DD Provision	264	8 536		(1) of if DDP < 500
Prepayment		40		(1)
Rent receivable		220	24 886	(1)
Cash		<u>990</u>		
Current Liabilities				
Trade payables (Creditors)	11 460			
Bank		8 260		(1)
Accrual		50		(1)
Interest due	<u>3 300</u>	<u>23 070</u>		(1)
Net current assets			<u>1 816</u>	(1) of
			273 656	
Non-current Liabilities				
Long-term loan (11%)			<u>60 000</u>	
			<u>213 656</u>	
Equity				
Capital at 1 May 2007			200 000	(1) of
Add profit for the year			<u>32 256</u>	(1)
			232 256	
Less drawings			<u>18 600</u>	(1)
			<u>213 656</u>	

- (c) (i) Current ratio = $24886/23070$ 1.08:1 (1) of
- (ii) Liquid ratio = $9786/23070$ 0.42:1 (1) of
- (iii) Rate of stock turnover = $180770/14300$ 12.64 times (1) of
- (iv) Gross profit as a percentage of sales 28.87 days 24.98% (1) of
- (v) Net profit as a percentage of sales 13.39% (1) of
- (iv) and (v) denominator must be **net** sales i.e. **not** 243 000 [5]

(d) (i) Ratios are used to compare a firm's performance with another year, or with a business of the same type.

(ii) Interested parties might be:

Bank manager	Directors	Competitors
Customs and excise	Creditors	Investors/Shareholders
Employees	Debtors	NOT Stakeholders
The media (Newspapers, TV etc)		

Allow ONE group only of members of the firm

Etc. One mark each to a maximum of [4]

[Total: 30]

2 (a)

Purchases Ledger Control Account

	Dr		Cr	
	\$		\$	
Payments	45 000	(2)	Balance b/d	12 000
Discounts	1 000	(2)	Purchases	48 000 (1+10F)
Balance c/d	14 000	(1)		
	<u>60 000</u>			<u>60 000</u>

[7]

Sales Ledger Control Account

	Dr		Cr	
	\$		\$	
Balance b/d	13 300		Receipts	58 000 (2)
Late banked last year	250	(2)	Late banked this year	400 (2)
Sales	60 750	(1+10F)	Discounts	1 200 (2)
			Bad Debts	1 100 (2)
			Balance c/d	13 600 (1)
	<u>74 300</u>			<u>74 300</u>

[13]

(b)

Opening inventory	\$21 500	(1)
add Purchases	\$48 000	(OF 1)
	\$69 500	
less Closing inventory	\$18 500	(1)
Cost of Sales	\$51 000	(OF 1)

[4]

(c) (i) (1) (1) (1)

$14\ 000 \times 365 \div 48\ 000 = 106.45 \rightarrow 106$ days (accept 107 days) [3]

(ii) (1) (1) (1)

$13\ 600 \times 365 \div 60\ 750 = 81.71 \rightarrow 82$ days (accept 81 days) [3]

[Total: 30]

3 (a) $19\,500 / 2 = 9\,750$ hours to manufacture 6 months' supply floor cleaner

(b)

	Kitchen		Floor		Bathroom		TOTAL	
	\$		\$		\$		\$	
Sales	240 000	(1)	136 500	(1)	165 000	(1)	541 500	[3]
Less costs:								
Direct Materials	81 000	(1)	76 050	(1)	49 500	(1)	206 550	[3]
Direct labour	45 000	(1)	29 250	(1)	33 000	(1)	107 250	[3]
Variable Overhead	54 000	(1)	70 200	(1)	16 500	(1)	140 700	[3]
Fixed Costs	22 500	(1)	14 625	(1)	16 500	(1)	53 625	[3]
TOTAL COSTS	202 500		190 125		115 500		508 125	
Profit (Loss)	37 500	(1)	(53 625)	(1)	49 500	(1)	33 375	[3]

(c) (i)

Sales	240 000	(1)	136 500	(1)	165 000	(1)	
Less variable costs	(180 000)	(1)	(175 500)	(1)	(99 000)	(1)	
Contribution	60 000		(39 000)		66 000		87 000

[6]

(ii)

Contribution	60 000		(39 000)		66 000		
Direct labour hours	15 000		9 750		11 000		
Contribution per DL hour	\$4	(1)	(\$4)	(1)	\$6	(1)	

[3]

[Total: 30]

