

Cambridge  
International  
AS & A Level

**Cambridge International Examinations**  
Cambridge International Advanced Subsidiary and Advanced Level

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**ACCOUNTING**

**9706/22**

Paper 2 AS Level Structured Questions

**March 2017**

MARK SCHEME

Maximum Mark: 90

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**Published**

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the March 2017 series for most Cambridge IGCSE<sup>®</sup>, Cambridge International A and AS Level components and some Cambridge O Level components.

Question	Answer	Marks																																																
1(a)	<p style="text-align: center;">Cash account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; text-align: right;">Sales</td> <td style="width: 10%; text-align: right;">\$ 92 600</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">General expenses</td> <td style="text-align: right;">\$ 950</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Assistants' wages</td> <td style="text-align: right;">2 870</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Bank</td> <td style="text-align: right;">78 780</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;">1 250</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">92 600</td> <td style="text-align: right;">8 750</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black; text-align: right;">1 250</td> <td style="border-top: 1px solid black; text-align: right;">92 600</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(1)</td> <td></td> <td></td> <td></td> </tr> </table>	Sales	\$ 92 600							General expenses	\$ 950					Assistants' wages	2 870	(1)				Bank	78 780	(1)				Balance c/d	1 250				Balance b/d	92 600	8 750	(1)				1 250	92 600					(1)				<b>4</b>
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1(b)	<p>Calculation of value of inventory stolen.</p> <p><math>\\$92\,600 \cdot 60\% = \\$55\,560</math> cost of sales</p> <p><math>\\$80\,690 - \\$640</math> (1) + <math>\\$8940</math> (1) = <math>\\$88\,990</math> purchases</p> <p><math>\\$88\,990 - \\$55\,560 = \\$33\,430</math> (1) theoretical closing inventory</p> <p><math>33\,430 - \\$31\,900</math> (actual closing inventory) = <math>\\$1\,530</math> (1) value of stock stolen</p> <p>Accept other alternative approaches.</p>	<b>4</b>																																																

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1(c)	<p style="text-align: center;">Razia</p> <p style="text-align: center;">Income statement for the year ended 30 June 2016</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Revenue</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%; text-align: right;">92 600</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td></td> <td style="text-align: right;">88 990</td> </tr> <tr> <td>Closing inventory</td> <td></td> <td style="text-align: right;">55 560</td> </tr> <tr> <td>Stolen inventory</td> <td></td> <td style="text-align: right;"><u>(33 430)</u></td> </tr> <tr> <td>Gross profit (must be labeled)</td> <td></td> <td style="text-align: right;"><u>37 040 (1CF)</u></td> </tr> <tr> <td colspan="3"> </td> </tr> <tr> <td>Less expenses</td> <td></td> <td></td> </tr> <tr> <td>  Assistants' wages</td> <td style="text-align: right;">W1</td> <td style="text-align: right;">2 990 (1)</td> </tr> <tr> <td>  Shop rental</td> <td></td> <td style="text-align: right;">21 600 (1)</td> </tr> <tr> <td>  Motor expenses</td> <td></td> <td style="text-align: right;">3 140</td> </tr> <tr> <td>  Light and heat</td> <td style="text-align: right;">W2</td> <td style="text-align: right;">1 170 (1)</td> </tr> <tr> <td>  General expenses</td> <td></td> <td style="text-align: right;">950</td> </tr> <tr> <td>  Depreciation – motor vehicles</td> <td style="text-align: right;">W3</td> <td style="text-align: right;">1 080 (1)</td> </tr> <tr> <td>  Depreciation – Shop fixtures and fittings</td> <td style="text-align: right;">W4</td> <td style="text-align: right;">540 (1)</td> </tr> <tr> <td>  Stolen inventory</td> <td></td> <td style="text-align: right;"><u>1 530 (1)</u></td> </tr> <tr> <td>Profit for the year (must be labeled)</td> <td></td> <td style="text-align: right;"><u>33 000</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>4 040 (1of)</u></td> </tr> <tr> <td colspan="3"> </td> </tr> <tr> <td colspan="3"><b>Workings</b></td> </tr> <tr> <td>W1</td> <td>Assistants' wages</td> <td>\$2870 + \$120 = \$2990 (1)</td> </tr> <tr> <td>W2</td> <td>Light and heat</td> <td>\$1020 + \$150 = \$1170 (1)</td> </tr> <tr> <td>W3</td> <td>Depreciation MV</td> <td>(\$5800 – \$400)/5 = \$1080 (1)</td> </tr> <tr> <td>W4</td> <td>Depreciation Shop F &amp; F</td> <td>\$3600 · 15% = \$540 (1)</td> </tr> </table>	Revenue	\$	92 600	Cost of sales			Purchases		88 990	Closing inventory		55 560	Stolen inventory		<u>(33 430)</u>	Gross profit (must be labeled)		<u>37 040 (1CF)</u>				Less expenses			Assistants' wages	W1	2 990 (1)	Shop rental		21 600 (1)	Motor expenses		3 140	Light and heat	W2	1 170 (1)	General expenses		950	Depreciation – motor vehicles	W3	1 080 (1)	Depreciation – Shop fixtures and fittings	W4	540 (1)	Stolen inventory		<u>1 530 (1)</u>	Profit for the year (must be labeled)		<u>33 000</u>			<u>4 040 (1of)</u>				<b>Workings</b>			W1	Assistants' wages	\$2870 + \$120 = \$2990 (1)	W2	Light and heat	\$1020 + \$150 = \$1170 (1)	W3	Depreciation MV	(\$5800 – \$400)/5 = \$1080 (1)	W4	Depreciation Shop F & F	\$3600 · 15% = \$540 (1)
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Question	Answer	Marks
1(d)	For each part, <b>(1) mark for formula, (1) of mark for correct calculation</b>	
1(d)(i)	$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{31900 + 1250 + 3600}{8940 + 4330 + 270} = 2.71:1$	<b>2</b>
1(d)(ii)	$\frac{\text{Current assets excluding inventory}}{\text{Current liabilities}} = \frac{1250 + 3600}{8940 + 4330 + 270} = 0.36:1$	<b>2</b>
1(e)(i)	Inventory turnover Trade payables turnover Trade receivables turnover Working capital ratio Gearing <b>1 mark for a valid point up to a max of 2</b>	<b>2</b>
1(e)(ii)	Uses historical data Only uses financial data Does not explain the cause of any changes Cannot predict Any other valid point <b>1 mark for a valid point up to a max of 2</b>	<b>2</b>

Question	Answer	Marks
1(f)	<p>For increasing mark-up</p> <ul style="list-style-type: none"> <li>∞ Reduce bank overdraft</li> <li>∞ Increase (gross) profit</li> <li>∞ Improve liquidity</li> <li>∞ May enable to increase drawings</li> </ul> <p>Against increasing mark-up</p> <ul style="list-style-type: none"> <li>∞ Lose customers</li> <li>∞ May not be able to sell</li> <li>∞ Hard to decide the products this may be applied to</li> <li>∞ Competitors may enter/ need to consider competitors' price</li> </ul> <p><b>1 mark for decision and 5 for justification</b></p>	<b>6</b>
<b>Total:</b>		<b>30</b>

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2(a)(i)	To avoid trade receivables being overstated in the statement of financial position.	1																								
2(a)(ii)	Prudence / matching	1																								
2(a)(iii)	<p>Provision for doubtful debts</p> <table style="margin-left: 40px;"> <tr> <td>Balance c/d</td> <td>\$</td> <td>Balance b/d</td> <td>\$</td> </tr> <tr> <td></td> <td>3 175</td> <td>Income statement *</td> <td>1 940</td> </tr> <tr> <td></td> <td><u>3 175</u></td> <td></td> <td><u>1 235</u></td> </tr> <tr> <td></td> <td></td> <td>Balance b/d</td> <td>3 175 (1)</td> </tr> </table> <p>(*)            General provision: <math>48\,500 - 2100 (1) - 900 (1) = 45\,500</math> OF <math>\times 5\% = \\$2275</math>            Income statement: <math>2275 + 900 (1) = 3175 - 1940 (1) = \\$1235</math></p>	Balance c/d	\$	Balance b/d	\$		3 175	Income statement *	1 940		<u>3 175</u>		<u>1 235</u>			Balance b/d	3 175 (1)	5								
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2(b)(i)	The new provision is deducted from trade receivables under current assets in the statement of financial position (1)	1																								
2(b)(ii)	<p>An increase in provision for doubtful debts is shown as an expense (1)</p> <p>A decrease in provision for doubtful debts is shown as additional income <u>after the gross profit</u> (1).</p>	2																								
2(c)	<p>Telephone expenses account</p> <table style="margin-left: 40px;"> <tr> <td>Balance b/d</td> <td>\$</td> <td>Balance b/d</td> <td>\$</td> </tr> <tr> <td>Bank</td> <td>380</td> <td>Income statement</td> <td>275 (1)*</td> </tr> <tr> <td>Balance c/d</td> <td>4 750</td> <td></td> <td>4 670 (1)OF</td> </tr> <tr> <td></td> <td><u>560</u></td> <td>Balance c/d</td> <td><u>745</u></td> </tr> <tr> <td></td> <td>5 690</td> <td></td> <td>5 690</td> </tr> <tr> <td>Balance b/d</td> <td>745 *</td> <td>Balance b/d</td> <td>560 (1)*Both</td> </tr> </table> <p>(*) Both balance b/d figures:            Accrued: <math>840 \cdot 2/3 (1) = \\$560</math>            Prepaid: <math>2980 \cdot 3/12 = \\$745</math></p>	Balance b/d	\$	Balance b/d	\$	Bank	380	Income statement	275 (1)*	Balance c/d	4 750		4 670 (1)OF		<u>560</u>	Balance c/d	<u>745</u>		5 690		5 690	Balance b/d	745 *	Balance b/d	560 (1)*Both	5
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	<b>Total:</b>	<b>15</b>																								

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3(a)	Buildings (252 000 – 182 000 · 2%) \$1400 (1)	1																
3(b)	<p>Machine purchased (62 850 · 20% · 4/12) \$ 4 190 (1)</p> <p>Machine sold (46 350 · 20% · 8/12) 6 180 (1)</p> <p>Other machines (74 000 – 46 350 · 20%) 5 530 (1)</p> <p>Total depreciation charge <u>15 900</u></p>	3																
3(c)	<p>King</p> <p>Extract from Statement of Financial Position at 31 March 2016</p> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Cost</th> <th>Accumulated Depreciation</th> <th>Net Book Value</th> </tr> </thead> <tbody> <tr> <td>Land and buildings</td> <td>\$ 272 500 (1)</td> <td>22 400 (1)</td> <td>\$ 250 100</td> </tr> <tr> <td>Plant and machinery</td> <td>109 650 (2)</td> <td>28 870 (3)</td> <td>80 780</td> </tr> <tr> <td></td> <td><u>382 150</u></td> <td><u>51 270</u></td> <td><u>330 880 (1)</u></td> </tr> </tbody> </table> <p>Workings:</p> <p>Cost land and buildings: 252 000 + 20 500 (1) = 272 500</p> <p>Depreciation land and buildings: 21 000 + 1400 (1) = 22 400</p> <p>Cost plant and machinery: 123 000 + 62 850 (1) – 76 200 (1) = 109 650</p> <p>Depreciation plant and machinery: 49 000 + 15 900 (1) – 6 180 (1) – 29 850 (1) = 28 870</p>		Cost	Accumulated Depreciation	Net Book Value	Land and buildings	\$ 272 500 (1)	22 400 (1)	\$ 250 100	Plant and machinery	109 650 (2)	28 870 (3)	80 780		<u>382 150</u>	<u>51 270</u>	<u>330 880 (1)</u>	8
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3(d)	<p>Wear and tear</p> <p>Obsolescence</p> <p>Changes in technology</p> <p>Changes in fashion tastes and trends</p> <p>Depletion of resources</p> <p>Passage of time</p> <p>Economic reasons</p> <p><b>1 mark for a valid point up to a max of 3</b></p>	3																
	<b>Total:</b>	<b>15</b>																

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4(a)	A cost unit is a unit of production <b>(1)</b> whereas a cost centre is part of a business to which costs can be attributed / allocated to <b>(1)</b>	<b>2</b>
4(b)	Production cost centre is directly involved in producing the goods e.g machining, assembly <b>(1)</b> Service cost centre provides a service for the production cost centres / not involved in the production of goods <b>(1)</b>	<b>2</b>
4(c)	The amount each unit of production makes towards covering the fixed costs <b>(1)</b> and providing a profit. <b>(1)</b> Or The difference between sales revenue and variable costs <b>(1)</b> contributing toward making a profit (or towards the fixed costs) <b>(1)</b>	<b>2</b>



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4(h)	<p>Marginal costing will help in short term decision making.  Marginal costing is easy to operate. But relies upon costs being split into fixed and variable  Absorption costing helps set prices  Absorption costing is used in long-run rather than short-run.  Absorption costing is more acceptable / realistic for financial statements.</p> <p>1 mark for decision and 4 for justification</p>	<b>5</b>															
	<b>Total:</b>	<b>30</b>															