

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2011 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.

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	Page 2		Mark Scheme: Tea	achers' version	1	Syllabus	Paper
			GCE AS/A LEVEL -	- May/June 201	1	9706	23
1	(a)			\$	\$		
		Net profi	t		80 000	1	
		1 Invento 2 Interes 3 Depreo 4 Repair 5 Bad de	et ciation s	7 000 2 8 000 1 27 000 1 10 000 1 3 600 1	<u>55 600</u> 24 400		
		ADD			24 400	,	
		4 Depred	ciation		<u>1 000</u>	<u>)</u> 2	
		CORREC	CTED NET PROFIT		25 400)	[9]
	(b)	Correcte	d balance sheet at 30 April 2	011	\$	\$	
		Build Equi	rent assets dings at valuation ipment (54000 – 27000) or vehicles (330000 – 10000	+ 1000)		300 00 513 00 <u>321 0</u> 0 1 134 0	00 1 00 2
		Trad Othe	Assets Intory (70000 – 7000) de receivables (19000 – 3600 er receivables h and cash equivalents	63 000 1 15 400 1 2 000 4 000	84 400		
			liabilities de payables er payables (3000 + 8000)	57 000 <u>11 000</u> 1	68 000		
		Net curre	ent assets			<u>16 4</u> 1 150 4	
			ent liabilities				
		Loar Net asse				<u>200 0</u> 950 4	
		•	d by: ital at start Profit for the year (Net profit))		1 000 0 <u>25 4</u> 1 025 4	<u>00</u> 1 (OF)
			s drawings ital at end			75 00 950 40	<u>00</u>



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(c) (i) The cost comprises the cost of purchase plus other costs incurred in bringing the inventory to its present location and condition.

Net realisable value is the estimated selling price less estimated selling costs

(ii) Inventory should never be valued at more than cost.

Valuing stock at cost observes the principles of realisation, matching and prudence.

Any 2 relevant points for 2 marks each

[4]

(d) (i) Current ratio = 84 400: 68 000

1.24:1 **2(OF)**

(ii) Liquid ratio (acid test) = 21 400 : 68 000

0.31:1 **2(OF)**

[4]

(e) Injection of cash/additional capital

Long term loan

Sales of surplus non-current assets

Reduction in drawings

Factor debt

Effective inventory management to reduce damage to inventory

Any four suitable points for 1 mark each

[4]

(f) Inventory is regarded as the least liquid asset

A buyer has to be found

Some goods may prove to be unsaleable

The quick ratio shows if the business would have any surplus liquid funds if all the current liabilities were paid immediately

Φ

Any two suitable points 1 mark each

[2]

[Total: 30]

2 (a) Income statement for the year ended 30 April 2011

	Ф	Ф
Revenue		240 000
LESS		

Inventory (1/5/2010) 17 000 **3**Purchases 148 000 **1**165 000

Inventory (30/4/2011) <u>9 000</u> <u>156 000</u>

 Gross profit
 84 000
 2

 Expenses
 36 000
 1

Net profit 48 000 [7]



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(b) Appropriation account for the year ended 30 April 2011

Net profit	\$		\$ 48 000		
Add interest on drawings Robbie (18 000 × 8%)	1 440	2			
Liza (12 000 × 8%)	<u>960</u>	2	<u>2 400</u> 50 400		
Less interest on capital Robbie (90 000 × 5%) Liza (60 000 × 5%)	4 500 3 000	1 1	(7 500) 42 900		
Less Salary – Liza			(<u>15 000</u>) 27 900	1	
Share of profit Robbie (3/5 × \$27 900) Liza (2/5 × \$27 900)	16 740 <u>11 160</u>		27 900		[9]

(c) (i) Cash book

	\$			\$	
Balance	12 000	1	Bank charges	250	1
			Dishonoured cheque	600	1
			Corrected CB balance	<u>11 150</u>	1
	<u>12 000</u>			12 000	

(ii) Bank reconciliation statement at 30 April 2011

	\$
Bank statement balance	9 000 1
Less cheques not yet presented	(1 600) 1
Add cheques lodged not yet credited	3 750 1
Cash book balance	<u>11 150</u> 1

OR REVERSED (CB bal 1 150 – 3 750 + 1 600 = 9 000) [8]



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(d) Two marks for valid explanation to a maximum of 6 marks

Standard practice to enter the following in the cash book after receipt of the bank statement:

- Direct debits
- Standing orders
- Bank charges
- Interest on overdrafts
- Cheques dishonoured

Timing differences

- Money lodged with the bank near the end of the month
- Cheques paid but not yet presented for payment
- Cheques received but not yet credited by the bank
- Errors in recording by the bank and/or the business

[Total: 30]

[6]

3	(a)	(i)	(400 hours × 6) × 80% =	1,920 cars	2	
		(ii)	\$(1.00 + 0.50 + 0.05 + 1.25) = \$2.80 × 1,920 cars =	\$5 376	2	
		(iii)	(Variable costs 5376 + Fixed costs 3840) =	\$9 216	2	
		(iv)	\$9216 / 1920 cars =	\$4.80 per car	2	
		(v)	Price per car = \$(4.80 + 25%)	\$6.00	2	
		(vi)	(6 × 1920) = 11 520 – 9216	\$2 304	2	[12]
	(b)	(i)	SP – VC = \$(6.00 – 2.80) = \$3.20 per car wash		2	
		(ii)	BEP = \$3840 / \$3.20 = 1200 cars		2	
		(iii)	In dollars = (1920 – 1200) = 720 cars × \$6 = \$4320		2OF	
		(iv)	In cars = 1440 cars less 1200 cars = 240 × \$6 = \$1440		20F	
		(v)	\$(3.20 / 6.00) × 100 = 53.33%		20F	[10]



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(ii)
$$(400 \text{ hours} \times \$6) \times 70\% = \frac{2400 \times 70}{100}$$
 = 1 680 cars

Profit = Actual - Break-even
 $(1680 - 1350) = 330 \times c$

1
= 330 × \$2.40
= \$792
[4]

ALTERNATIVE

[Total: 30]