UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

9706 ACCOUNTING

9706/21 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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UNIVERSITY of CAMBRIDGE
International Examinations

1 (a) Departmental income statement for the year ended 30 April 2012.

	Food		Clothing		Toys		
	$	$	$	$	$	$	
Sales		250 000		150 000		100 000	
Cost of sales							
Inventory (1/5/11)	10 000		12 000		31 000		
Purchases	67 000		50 000		57 000		
	77 000		62 000		88 000		
Inventory (30/4/12)	17 000	60 000	12 000	50 000	43 000	45 000	**3**
Gross profit		190 000		100 000		55 000	
Overheads							
Wages	40 000		24 000		16 000		**3**
Advertising	5 000		3 000		2 000		**3**
Heat and light	12 000		6 000		6 000		**3**
Insurance	2 500		1 250		1 250		**3**
Dep – F & F	6 000	65 500	3 000	37 250	3 000	28 250	**3**
Net Profit		124 500		62 750		26 750	[18]

(b)

- To aid management decision making.
- To measure the efficiency (control of costs) and effectiveness sales income, and to compare one department profitability by using ratios like GP percentage, ROST, etc.
- Helps to compare performance with similar industrial sectors.
- Useful for motivation through target setting.

Any 3 valid points to a maximum of 6 marks. [6]

(c) (i) Cost is expenditure incurred in the normal course of business to bring the product to its present location and condition and includes import duties, transport and handling costs less trade discounts.

(ii) NRV is the actual or estimated selling price (less trade discount) but before cash discount less all further conversion costs and costs incurred in marketing, selling and delivering the goods to the customer.

1 mark per valid point to a max of 2 x 3 [6]

[Total: 30]

2 (a) Estimated profit and loss appropriation account for year ended 30 April 2013.

		$		$		
Net profit for the year				121 000		
Add						
Interest on drawings	J	500	**1**			
	K	500	**1**			
	M	275	**1**	1 275		
				122 275		
Less Interest on capital	J	4 230			**1**	
	K	2 820			**1**	
	M	1 500		(8 550)	**1**	
Less salary				(11 000)	**1**	
				102 725		
Share of profit	J	55 471.50			**1**	
	K	36 981.00			**1**	
	M	10 272.50		102 725	**2**	[11]

(b) Estimated current account – Maura

	$			$		
Drawings	5 500.00	**1**				
Interest on drawings	275.00	**1**	Share of profit	10 272.50	**1**	
Balance c/d	16 997.50		Salary	11 000.00	**1**	
			Interest on capital	1 500.00	**1**	
	22 772.50			22 772.50		[5]

(c)

Current salary	16 500.00	**1**	
Investment income	2 500.00	**1**	
	$ 19 000.00		
Estimated income			
Total earnings			
Est partnership income	$ 22 497.50	**1**	
Increase in income	3 497.50	**1**	

In monetary terms it is worth accepting the offer of a partnership **2** [6]

(d) Higher sales price with cost of sales staying same or rising less than sales price.

Lower cost of sales with sales price staying same or falling less than cost of sales.

More efficient use of stock with less spoilage, wastage and theft.

NOTE: increase in sales volume is incorrect.

1 mark per point, one for development to maximum of 4 [4]

(e) Lower overhead costs such as rent, rates, heat and light.

Increased efficiency (lower costs)

Higher gross profit margin with overheads remaining the same or less than percentage increase in GP to sales.

1 mark per point, one for development to maximum of 4 [4]

[Total: 30]

3 (a) (i)

	Beach	Explorer	Family	
	$	$	$	
Sales price	70	130	200	**1**
Variable costs				
Raw materials	30	36	54	
Direct labour	8	20	38	
Variable overhead	6	26	48	
	44	82	140	**1**
Contribution	26	48	60	
	1	**1**	**1**	

[5]

(ii)

	$		$		$	
Unit contribution	26		48		60	
Forecast demand	30 000		40 000		24 000	
Contribution	780 000	**1**	1 920 000	**1**	1 440 000	**1**

Total Contribution	4 140 000	
Less FC	3 500 000	**1**
Total profit	640 000	**1**

[5]

(b)

	$	$	$	
Contribution	26	48	60	**1**
Raw material (square metres)	5	6	9	**1**
Contribution per square metre	5.20	8	6.67	**1**

[3]

(c)

Order of priority	3	1	2	
	B	E	F	
Units		40 000	24 000	**2**
Square metres		6	9	
Total		240 000	216 000	**2**
Material available	=	546 000	Square metres	
Less used in E and F		456 000		
Available for B		90 000	Square metres	**1**
Amount of B that can be produced	=	90 000/5	=18 000 units	
	B	E	F	
Output	18 000 **2**	40 000	24 000	

[7]

(d)

	B	E	F	Total
Units produced	18 000	40 000	24 000	
Unit contribution	26	48	60	
Total contribution	468 000	1 920 000	1440 000	3 828 000 **3**
			1	**1**
Profit = contribution – fixed costs = $3 828 000 – 3 500 000 = $328 000				

[5]

(e)

If at least 27 000 of Beach Tent to be produced, need 9000 units x 5 sqm for B, i.e. 45 000 sq metres, reducing F's output by 45000/9 = 5000 units

	B	E	F	Total
Units produced	27 000	40 000	19 000	
Unit contribution	26	48	60	**3**
Total contribution	702 000	1 920 000	1 140 000	3 762 000
			1	**1**
Profit = contribution – fixed costs = $3 762 000 – 3 500 000 = $262 000				

[5]

[Total: 30]