

**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**

**9706/23**

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  
 $(203\,200 - 22\,400\,1 + 28\,600\,1 + 4\,000\,1 + 18\,510\,1) = \$231\,910$  [4]
- (ii) Ordinary goods purchased  
 $(122\,460 - 17\,500\,1 + 19\,470\,1 + 3\,100\,1 - 3\,700\,1) = \$123\,830$  [4]

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

	\$	\$	\$	
Income/Sales			231 910	
Opening inventory	22 300 1			
Ordinary goods purchased	<u>123 830</u>			
		146 130		
Less Closing inventory		<u>17 400 1</u>		
Cost of sales			<u>128 730</u>	
Gross Profit			103 180	
Additional Income				
Rent received		18 900 1		
Discounts received		<u>3 100 1</u>	<u>22 000</u>	
			125 180	
Expenses				
General expenses		21 540 1		
Wages		30 660 1		
Discounts allowed		4 000 1		
Depreciation equipment		18 200 1		
Depreciation motor vehicles		16 000 1		
Provision for doubtful debts		<u>572 1</u>		
			<u>90 972</u>	
Profit for the year			<u>34 208</u>	[10]

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

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

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(ii)	2010	2011	
Equipment			
EQ1	6 000	4 800 1	
EQ2		<u>8 800 1</u>	
	<u>6 000 1</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 1 of	23 500 1 of	
Deduct new depreciation	17 000 1 of	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)

		<b>Wages</b>	
	\$		\$
Bank	24 100	Balance b/d	2 040 1
Balance c/d	<u>2 130 1</u>	Income statement	<u>24 190 1</u>
	<u>26 230</u>		<u>26 230</u>
		Balance b/d	2 130

(ii)

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

(iii)

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

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**(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 [9]

- (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]**