

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

**MARK SCHEME for the October/November 2010 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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1 (a)  $-3810 + 163\,100 + 34\,000 + 2\,680 + 1\,200 + 4\,100 + 515 + 1\,300 = \$203\,085$   
Award 1 mark for each correct pair and 1o/f for Total [5]

(b)  $-3\,420 + 141\,508 + 6\,300 + 1\,200 + 11\,850 + 1\,600 - 140 = \$158\,898$   
Award 1 mark for each correct pair except for Drawings which gets 1 mark  
and Total which gets 1o/f [5]

(c)

Clara Coyle  
Income Statement (trading and profit and loss account)  
for the year ended 31 December 2009

|                                      | \$                          | \$                      | \$                   |
|--------------------------------------|-----------------------------|-------------------------|----------------------|
| Revenue (sales)                      |                             |                         | 203 085 <b>(1of)</b> |
| Opening Inventory (Stock)            | 24 170                      |                         |                      |
| Ordinary goods purchased (Purchases) | <u>158 898</u> <b>(1of)</b> |                         |                      |
|                                      |                             | 183 068                 |                      |
| Less Closing Inventory (Stock)       |                             | <u>20 600</u>           |                      |
| Cost of Sales                        |                             |                         | <u>162 468</u>       |
| Gross Profit                         |                             |                         | 40 617 <b>(1of)</b>  |
| Discounts received                   |                             | <u>1 600</u> <b>(1)</b> |                      |
|                                      |                             |                         | <u>1 600</u>         |
|                                      |                             |                         | 42 217               |
| <u>Less Expenses</u>                 |                             |                         |                      |
| Rates                                |                             | 2 800 <b>(1)</b>        |                      |
| General expenses                     |                             | 7 490 <b>(1)</b>        |                      |
| Wages                                |                             | 22 920 <b>(1)</b>       |                      |
| Depreciation                         |                             | 3 000                   |                      |
| Discounts allowed                    |                             | 1 300 <b>(1)</b>        |                      |
|                                      |                             | <u>          </u>       |                      |
|                                      |                             |                         | <u>37 510</u>        |
| Profit for the year (Net Profit)     |                             |                         | <u><u>4 707</u></u>  |

[8]

|               |   |                 |              |
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(d)

Clara Coyle  
Balance Sheet as at 31 December 2009

**Non-Current (Fixed) Assets**

|          | \$ | \$ | \$               |
|----------|----|----|------------------|
| Premises |    |    | 60 000           |
| Fittings |    |    | <u>25 000</u>    |
|          |    |    | <b>85 000(1)</b> |

**Current Assets**

|                             |  |                |  |
|-----------------------------|--|----------------|--|
| Inventory (stock)           |  | 20 600 (1o/f)  |  |
| Trade Receivables (debtors) |  | 4 100 (1)      |  |
| Rates Prepaid               |  | 240 (1)        |  |
| Bank                        |  | 31 332 (1o/f)  |  |
| Cash                        |  | <u>515 (1)</u> |  |
|                             |  | 56 787         |  |

**Current Liabilities**

|                            |                  |               |  |
|----------------------------|------------------|---------------|--|
| Trade Payables (creditors) | 11 850 (1)       |               |  |
| General expenses           | 400 (1)          |               |  |
| Wages                      | <u>1 620 (1)</u> |               |  |
|                            |                  | <u>13 870</u> |  |

|                                       |  |               |
|---------------------------------------|--|---------------|
| Working Capital                       |  | <u>42 917</u> |
| Total Assets less current liabilities |  | 127 917       |

**Non-Current (long term) Liabilities**

|      |                   |                       |
|------|-------------------|-----------------------|
| Loan | <u>10 000 (1)</u> |                       |
|      |                   | <u>10 000</u>         |
|      |                   | <u><u>117 917</u></u> |

**Financed by:**

|                                  |  |                       |
|----------------------------------|--|-----------------------|
| Capital                          |  | 117 000               |
| Profit for the year (Net Profit) |  | <u>4 707(1of)</u>     |
|                                  |  | 121 707               |
| Drawings                         |  | <u>3 790(1)</u>       |
|                                  |  | <u><u>117 917</u></u> |

[12]

**[Total: 30]**

|               |   |                 |              |
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2 (a)

**Subscriptions Account**

|                                |              |                           |              |
|--------------------------------|--------------|---------------------------|--------------|
| Balance b/d                    | 400 (1)      | Balance b/d               | 300 (1)      |
| Income and Expenditure Account | 2800 (1of)   | Bank / Cash (300 + 2 200) | 2500 (2)     |
|                                |              | Bad debt                  | 100 (1)      |
|                                |              | Balance c/d               | 300 (1)      |
|                                | <u>3,200</u> |                           | <u>3,200</u> |

[7]

(b)

Schubert Music ClubCafe Trading Account for the year ended 31 December 2009

|                                    |           |                  |                        |
|------------------------------------|-----------|------------------|------------------------|
|                                    | \$        | \$               | \$                     |
| Cafe takings                       |           |                  | 18 500(1)              |
| Opening Inventory (stock)          | 4 000 (1) |                  |                        |
| Purchases (8 400 + 2 200 – 3 000)  | 7 600 (2) |                  |                        |
|                                    |           | 11 600           |                        |
| Closing Inventory (Stock)          |           | <u>2 000 (1)</u> |                        |
| Cost of Sales                      |           |                  | <u>9 600</u>           |
| Gross Profit                       |           |                  | 8 900                  |
| <b>Less Expenses</b>               |           |                  |                        |
| Cafe expenses (4 200 – 1 200 + 50) |           | 3 050 (2)        |                        |
| Wages – Cafe Staff                 |           | <u>5 000</u>     |                        |
|                                    |           |                  | <u>8 050</u>           |
| Cafe Profit                        |           |                  | <u><u>850(1of)</u></u> |

[8]

|               |   |                 |              |
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(c)

Schubert Music Club  
Income and Expenditure Account for the year ended 31 December 2009

|  | \$               | \$             |
|--|------------------|----------------|
| <b>Income</b>  |                  |                |
| Subscriptions  | 2 800 (1of)      |                |
| Life Subscriptions (4 000 / 20 = 200) + ((6 × 500) / 20 = 150) = 350 | 350 (2)          |                |
| Cafe Profit  | <u>850 (1of)</u> | 4 000          |
| <b>Expenditure</b>   |                  |                |
| Competition cash prizes  | 6 000 (1)        |                |
| Sundries   | 2 500 (1)        |                |
| Bad debts  | 100 (1)          |                |
| Depreciation – Clubhouse   | 2 000 (1)        |                |
| Depreciation – Equipment   | <u>1 000 (1)</u> | <u>11 600</u>  |
| Deficit  |                  | <u>(7 600)</u> |
|  |                  | [9]            |

- (d) Increase membership  
 Increase subscriptions  
 Encourage life subscriptions  
 Social events  
 Or other relevant suggestions  
**(3 × 2 marks for analysis) (1 plus 1 for development)** [6]
- [Total: 30]**

- 3 (a) (i)  $120\,000 (1) / (6 (1) - 5 (1))$   
 $= 120\,000 (1)$  units
- $120\,000 \times \$6 (1) = \$720\,000 (1of)$  [6]

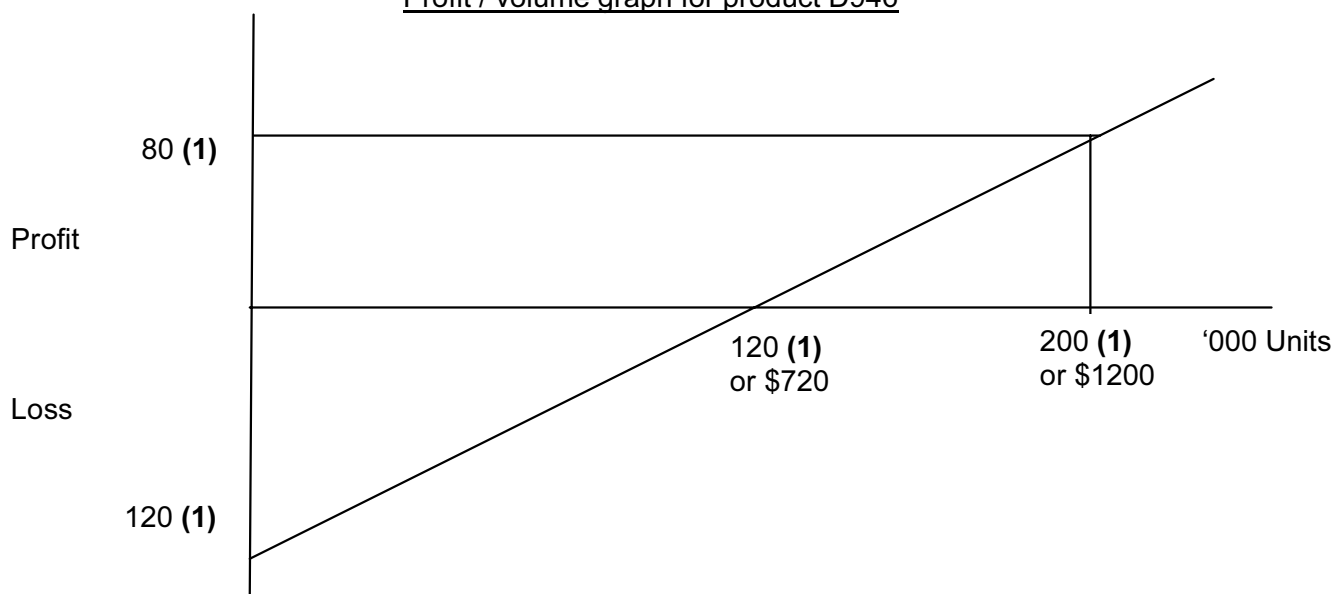
(ii)

|                       | \$             |         |
|-----------------------|----------------|---------|
| Selling Price         | 6              |         |
| Variable Costs        | <u>5</u>       |         |
| Contribution per unit | 1              | (2 c/f) |
| Quantity              | <u>200 000</u> |         |
|                       | 200 000        |         |
| Fixed Costs           | <u>120 000</u> | (1)     |
| Profit                | 80 000         | (1)     |
|                       |                | [4]     |

- (iii) Margin of safety =  $200\,000 (1) - 120\,000 (1of) = 80\,000$  units  
 $80\,000 / 200\,000 (1) \times 100 = 40\% (1of)$  [4]

|        |  |          |       |
|--------|--|----------|-------|
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(b)

Profit / volume graph for product D946

[4]

(c)

|                              | <u>D946</u>    | <u>D947</u>       | <u>D948</u>       |                     |  |
|------------------------------|----------------|-------------------|-------------------|---------------------|--|
| Selling Price per unit       | 6              | 9                 | 13                |                     |  |
| Less Variable Costs per unit | <u>5</u>       | <u>10.50</u>      | <u>10</u>         |                     |  |
| Equals Contribution per unit | 1              | (1.5) (1)         | 3 (1)             |                     |  |
| × Number of Units            | <u>200 000</u> | <u>50 000</u> (1) | <u>30 000</u> (1) |                     |  |
| Equals Total Contribution    | 200 000 (1)    | (75 000) (1)      | 90 000 (1)        | 215 000 (1)         |  |
| Less Fixed Costs             |                |                   |                   | <u>240 000</u> (1)  |  |
| Equals Profit / Loss         |                |                   |                   | <u>(25 000)</u> (1) |  |

**NB Total** figures, that is total sales and total variable costs, are equally acceptable [10]

(d) All three products should not (1) be produced. D947 should be eliminated as it has a negative contribution (1). [2]

[Total: 30]