

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

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

**MARK SCHEME for the October/November 2011 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.

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1 (a)

Iqbal

Income Statement (Trading and Profit and Loss Account)

For the year ended 31 March 2011

	\$	\$	\$
Revenue (sales) (85 000 – 7 200 (1) + 8 300 (1) + 1 400 (1) + 24 000 (1))			111 500
Opening Inventory (Stock)	8 000		
Ordinary goods purchased (Purchases) (37 000 – 3 400 (1) – 2 400 (1) + 3 700 (1) + 500 (1))	<u>35 400</u>		
		43 400	
Less Closing Inventory (Stock)		<u>9 200</u>	
Cost of Sales			<u>34 200</u>
Gross Profit			77 300
Discounts received		<u>500 (1)</u>	
			<u>500</u>
			77 800
<u>Less Expenses</u>			
Motor expenses		3 800 (1)	
Rent		5 800 (1)	
Rates		1 700 (1)	
Wages		18 000 (1)	
Discounts allowed		1 400 (1)	
Loan interest		700 (1)	
Provision for doubtful debts		249 (1)	
Depreciation – Fixtures and fittings		8 000 (1)	
Depreciation – Delivery van		<u>2 500 (1)</u>	
			<u>42 149</u>
Profit for the year (Net Profit)			<u>35 651</u>
			[18]

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(b)

lqbalStatement of Financial Position (Balance Sheet) at 31 March 2011

	\$	\$	\$
<b>Non-Current (Fixed) Assets</b>			
Fixtures			68 000
Delivery van			<u>7 500</u>
			<b>75 500 (1)</b>
<b>Current Assets</b>			
Inventory (stock)		9 200 (1)	
Trade receivables (debtors)		8 051 (1)	
Rent		600 (1)	
Rates		300 (1)	
Cash and cash equivalents (bank)		<u>31 350 (1)</u>	
		49 501	
<b>Current Liabilities</b>			
Trade payables (creditors)	3 700 (1)		
Loan interest		<u>700 (1)</u>	
		4 400	
Working Capital			<u>45 101</u>
Total Assets less current liabilities			120 601
<b>Non-Current (long term) Liabilities</b>			
Loan		<u>14 000 (1)</u>	
			<u>14 000</u>
			<u><u>106 601</u></u>
<b>Financed by</b>			
Capital			98 350 (1)
Profit for the year (Net Profit)			<u>35 651 (1of)</u>
			134 001
Drawings			<u>27 400 (1)</u>
			<u><u>106 601</u></u>

[12]

**[Total 30]**

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2 (a)

16 800	× 1%	=	168 (1)	
12 600	× 2%	=	252 (1)	
(7 100 – 700)	× 3%	=	192 (2)	
1 300	× 10%	=	<u>130 (1)</u>	
			<u>742 (1)</u>	[6]

(b) (i) **Must have correct narrative to gain marks.**

Provision for Doubtful Debts			
	\$		\$
Income Statement	58 (1of)	Balance b/d	800 (1)
Balance c/d	<u>742 (1of)</u>		
	<u>800</u>		<u>800</u>

[3]

(ii)

Bad Debts			
	\$		\$
Debbie	700 (1)	Income Statement (1)	1500 (1)
Harvey	450 (1)		
Others	<u>350 (1)</u>		
	<u>1500</u>		<u>1500</u>

[5]

(iii)

Harvey			
	\$		\$
Balance b/d	600 (1)	Bank	150 (1)
		Bad Debts	<u>450 (1)</u>
	<u>600</u>		<u>600</u>

[3]

(c)

Balance Sheet (extract) at 31 December 2010

	\$	
Trade receivables	37 100	
Less provision for doubtful debts	<u>742 (1of)</u>	(1of)
	<u>36 358</u>	(1of)

[2]

(d) (i)  $(\$37\,100 \times 4\%) = \$1484 - \$742 = \$742$  [2]

(ii) Reduce net profit for the year (1)  
Reduce trade receivables/current assets/balance sheet total (1) [2]

(iii) Prudence concept (1) Current provision \$742 is 2% of the debtors (1) Actual bad debts are \$1500 (1) This may suggest the provision is insufficient. (1) [4]

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- (e) Past experience  
 Specific knowledge about a customer  
 The state of the economy  
 Consistency concept  
 Industry average  
 Length of time  
 Size of debtors  
 Comparing with previous years or with competitors. (3 × 1 mark) [3]

**[Total 30]**

3 (a)

	<b>Machining</b>	<b>Assembly</b>	<b>Maintenance</b>	<b>Canteen</b>
Brought forward	143 500	154 700	165 800	176 900
Maintenance	99 480 (1)	49 740 (1)	(165 800) (1)	16 580
Canteen	<u>77 392 (1)</u>	<u>116 088 (1)</u>		(193 480) (1)
Total	<u>320 372 (1)</u>	<u>320 528 (1)</u>		

[8]

- (b) Machining Department =  $320\,372 \text{ (1of)} / 18\,845 \text{ (1)} = \$17.00 \text{ (1of)}$  per machine hour (1)

Assembly Department =  $320\,528 \text{ (1of)} / 20\,350 \text{ (1)} = \$15.75 \text{ (1of)}$  per labour hour (1) [8]

(c)

	\$	
Materials	12.00	(1)
Labour	56.00	(1)
Overheads – machining (17.00 × 3)	51.00	(1of)
Overheads – assembly (15.75 × 4)	<u>63.00</u>	(1of)
Cost per unit	<u>182.00</u>	(1of)

[5]

- (d)  $182 \text{ (1of)} \times 1.25 \text{ (1)} = \$227.50 \text{ (1of)}$  [3]

- (e)  $640\,900 \text{ (1)} / (227.50 \text{ (1of)} - 68.00 \text{ (1of)}) = 4019 \text{ (accept } 4018.18) \text{ units (1of)}$  [4]

(f) Assumes:

- Everything produced is sold.
- Selling price is linear.
- Variable costs are linear.
- Fixed costs remain unchanged.
- A single product firm.
- Product mix remains constant.
- No semi variable costs.
- No external factors.

Is based on estimates. (2 × 1 mark) [2]

**[Total 30]**