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**ACCOUNTING****9706/22**

Paper 2 AS Level Structured Questions

**March 2017**

MARK SCHEME

Maximum Mark: 90

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**Published**

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the March 2017 series for most Cambridge IGCSE<sup>®</sup>, Cambridge International A and AS Level components and some Cambridge O Level components.

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Question	Answer	Marks																																
1(a)	<p style="text-align: center;">Cash account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;"></td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 35%;"></td> <td style="width: 15%; text-align: center;">\$</td> </tr> <tr> <td style="text-align: right;">Sales</td> <td style="text-align: right;">92 600</td> <td style="text-align: left;">General expenses</td> <td style="text-align: right;">950</td> </tr> <tr> <td></td> <td></td> <td style="text-align: left;">Assistants' wages</td> <td style="text-align: right;">2 870 (1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: left;">Bank</td> <td style="text-align: right;">78 780 (1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: left;">Balance c/d</td> <td style="text-align: right;">1 250</td> </tr> <tr> <td></td> <td></td> <td style="text-align: left;">Drawings (balance)</td> <td style="text-align: right;">8 750 (1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>92 600</u></td> <td></td> <td style="text-align: right;"><u>92 600</u></td> </tr> <tr> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;"><u>1 250</u> (1)</td> <td></td> <td></td> </tr> </table>		\$		\$	Sales	92 600	General expenses	950			Assistants' wages	2 870 (1)			Bank	78 780 (1)			Balance c/d	1 250			Drawings (balance)	8 750 (1)		<u>92 600</u>		<u>92 600</u>	Balance b/d	<u>1 250</u> (1)			<b>4</b>
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1(b)	<p>Calculation of value of inventory stolen.</p> <p><math>\\$92600 \times 60\% = \\$55\,560</math> cost of sales</p> <p><math>\\$80\,690 - \\$640</math> (1) + <math>\\$8940</math> (1) = <math>\\$88\,990</math> purchases</p> <p><math>\\$88\,990 - \\$55\,560 = \\$33\,430</math> (1) theoretical closing inventory</p> <p><math>33\,430 - \\$31\,900</math> (actual closing inventory) = <math>\\$1530</math> (1) value of stock stolen</p> <p>Accept other alternative approaches.</p>	<b>4</b>																																

Question	Answer	Marks																																																																																																	
1(c)	<p style="text-align: center;">Razia Income statement for the year ended 30 June 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: right;">\$</th> <th style="width: 10%; text-align: right;">\$</th> <th style="width: 10%; text-align: right;">\$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td></td> <td style="text-align: right;">92 600</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td></td> <td style="text-align: right;">88 990</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">31 900</td> <td></td> <td style="text-align: right;">55 560</td> <td></td> </tr> <tr> <td>Stolen inventory</td> <td style="text-align: right;">1 530</td> <td style="text-align: right;"><u>(33 430)</u></td> <td></td> <td></td> </tr> <tr> <td>Gross profit (must be labeled)</td> <td></td> <td></td> <td style="text-align: right;"><u>37 040</u></td> <td style="text-align: right;"><b>(1CF)</b></td> </tr> <tr> <td colspan="5">Less expenses</td> </tr> <tr> <td>Assistants' wages</td> <td style="text-align: right;">W1</td> <td style="text-align: right;">2 990</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Shop rental</td> <td></td> <td style="text-align: right;">21 600</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Motor expenses</td> <td></td> <td style="text-align: right;">3 140</td> <td></td> <td></td> </tr> <tr> <td>Light and heat</td> <td style="text-align: right;">W2</td> <td style="text-align: right;">1 170</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>General expenses</td> <td></td> <td style="text-align: right;">950</td> <td></td> <td></td> </tr> <tr> <td>Depreciation – motor vehicles</td> <td style="text-align: right;">W3</td> <td style="text-align: right;">1 080</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Depreciation – Shop fixtures and fittings</td> <td style="text-align: right;">W4</td> <td style="text-align: right;">540</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Stolen inventory</td> <td></td> <td style="text-align: right;"><u>1 530</u></td> <td style="text-align: right;"><u>33 000</u></td> <td></td> </tr> <tr> <td>Profit for the year (must be labeled)</td> <td></td> <td></td> <td style="text-align: right;"><u>4 040</u></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> </tbody> </table> <p><b>Workings</b></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 5%;">W1</td> <td style="width: 30%;">Assistants' wages</td> <td style="width: 65%;">\$2870 + \$120 = \$2990 <b>(1)</b></td> </tr> <tr> <td>W2</td> <td>Light and heat</td> <td>\$1020 + \$150 = \$1170 <b>(1)</b></td> </tr> <tr> <td>W3</td> <td>Depreciation MV</td> <td>(\$5800 – \$400)/5 = \$1080 <b>(1)</b></td> </tr> <tr> <td>W4</td> <td>Depreciation Shop F &amp; F</td> <td>\$3600 × 15% = \$540 <b>(1)</b></td> </tr> </tbody> </table>		\$	\$	\$		Revenue			92 600		Cost of sales					Purchases		88 990			Closing inventory	31 900		55 560		Stolen inventory	1 530	<u>(33 430)</u>			Gross profit (must be labeled)			<u>37 040</u>	<b>(1CF)</b>	Less expenses					Assistants' wages	W1	2 990		<b>(1)</b>	Shop rental		21 600		<b>(1)</b>	Motor expenses		3 140			Light and heat	W2	1 170		<b>(1)</b>	General expenses		950			Depreciation – motor vehicles	W3	1 080		<b>(1)</b>	Depreciation – Shop fixtures and fittings	W4	540		<b>(1)</b>	Stolen inventory		<u>1 530</u>	<u>33 000</u>		Profit for the year (must be labeled)			<u>4 040</u>	<b>(1of)</b>	W1	Assistants' wages	\$2870 + \$120 = \$2990 <b>(1)</b>	W2	Light and heat	\$1020 + \$150 = \$1170 <b>(1)</b>	W3	Depreciation MV	(\$5800 – \$400)/5 = \$1080 <b>(1)</b>	W4	Depreciation Shop F & F	\$3600 × 15% = \$540 <b>(1)</b>	<b>8</b>
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1(d)	For each part, <b>(1) mark for formula, (1)of mark for correct calculation</b>	
1(d)(i)	$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{31900 + 1250 + 3600}{8940 + 4330 + 270} = 2.71:1$	<b>2</b>
1(d)(ii)	$\frac{\text{Current assets excluding inventory}}{\text{Current liabilities}} = \frac{1250 + 3600}{8940 + 4330 + 270} = 0.36:1$	<b>2</b>
1(e)(i)	Inventory turnover Trade payables turnover Trade receivables turnover Working capital ratio Gearing  <b>1 mark for a valid point up to a max of 2</b>	<b>2</b>
1(e)(ii)	Uses historical data Only uses financial data Does not explain the cause of any changes Cannot predict  Any other valid point <b>1 mark for a valid point up to a max of 2</b>	<b>2</b>

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1(f)	<p>For increasing mark-up</p> <ul style="list-style-type: none"> <li>• Reduce bank overdraft</li> <li>• Increase (gross) profit</li> <li>• Improve liquidity</li> <li>• May enable to increase drawings</li> </ul> <p>Against increasing mark-up</p> <ul style="list-style-type: none"> <li>• Lose customers</li> <li>• May not be able to sell</li> <li>• Hard to decide the products this may be applied to</li> <li>• Competitors may enter/ need to consider competitors' price</li> </ul> <p><b>1 mark for decision and 5 for justification</b></p>	<b>6</b>
	<b>Total:</b>	<b>30</b>

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2(a)(i)	To avoid trade receivables being overstated in the statement of financial position.	<b>1</b>																														
2(a)(ii)	Prudence / matching	<b>1</b>																														
2(a)(iii)	<p style="text-align: center;">Provision for doubtful debts</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">1 940</td> <td></td> </tr> <tr> <td style="text-align: right;">Balance c/d</td> <td></td> <td style="text-align: right;">3 175</td> <td style="text-align: right;">Income statement *</td> <td style="text-align: right;">1 235 <b>(4)</b></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black; text-align: right;">3 175</td> <td></td> <td style="border-top: 1px solid black; text-align: right;">3 175</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">3 175</td> <td style="text-align: right;"><b>(1)</b></td> </tr> </table> <p>(*)            General provision: <math>48\,500 - 2100 \text{ (1)} - 900 \text{ (1)} = 45\,500 \text{ OF} \times 5\% = \\$2275</math>            Income statement: <math>2275 + 900 \text{ (1)} = 3175 - 1940 \text{ (1)} = \\$1235</math></p>		\$		\$				Balance b/d	1 940		Balance c/d		3 175	Income statement *	1 235 <b>(4)</b>			3 175		3 175			Balance b/d	3 175	<b>(1)</b>	<b>5</b>					
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2(b)(i)	The new provision is deducted from trade receivables under current assets in the statement of financial position <b>(1)</b>	<b>1</b>																														
2(b)(ii)	An increase in provision for doubtful debts is shown as an expense <b>(1)</b>  A decrease in provision for doubtful debts is shown as additional income <u>after the gross profit</u> <b>(1)</b> .	<b>2</b>																														
2(c)	<p style="text-align: center;">Telephone expenses account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> </tr> <tr> <td style="text-align: right;">Balance b/d</td> <td></td> <td style="text-align: right;">380</td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">275 <b>(1)*</b></td> </tr> <tr> <td style="text-align: right;">Bank</td> <td></td> <td style="text-align: right;">4 750</td> <td style="text-align: right;">Income statement</td> <td style="text-align: right;">4 670 <b>(1)OF</b></td> </tr> <tr> <td style="text-align: right;">Balance c/d</td> <td></td> <td style="text-align: right;">560 <b>(1)</b></td> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;">745 <b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black; text-align: right;">5 690</td> <td></td> <td style="border-top: 1px solid black; text-align: right;">5 690</td> </tr> <tr> <td style="text-align: right;">Balance b/d</td> <td></td> <td style="text-align: right;">745 *</td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">560 <b>(1)*Both</b></td> </tr> </table> <p>(*) Both balance b/d figures:            Accrued: <math>840 \times 2/3 \text{ (1)} = \\$560</math>            Prepaid: <math>2980 \times 3/12 = \\$745</math></p>		\$		\$		Balance b/d		380	Balance b/d	275 <b>(1)*</b>	Bank		4 750	Income statement	4 670 <b>(1)OF</b>	Balance c/d		560 <b>(1)</b>	Balance c/d	745 <b>(1)</b>			5 690		5 690	Balance b/d		745 *	Balance b/d	560 <b>(1)*Both</b>	<b>5</b>
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	<b>Total:</b>	<b>15</b>																														

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3(a)	Buildings (252 000 – 182 000 × 2%) \$1400 <b>(1)</b>	<b>1</b>																																						
3(b)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">\$</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Machine purchased (62 850 × 20% × 4/12)</td> <td style="text-align: right;">4 190</td> <td><b>(1)</b></td> </tr> <tr> <td style="padding-left: 20px;">Machine sold (46 350 × 20% × 8/12)</td> <td style="text-align: right;">6 180</td> <td><b>(1)</b></td> </tr> <tr> <td style="padding-left: 20px;">Other machines (74 000 – 46 350 × 20%)</td> <td style="text-align: right;">5 530</td> <td><b>(1)</b></td> </tr> <tr> <td style="padding-left: 20px;">Total depreciation charge</td> <td style="text-align: right; border-top: 1px solid black;">15 900</td> <td></td> </tr> </table>		\$		Machine purchased (62 850 × 20% × 4/12)	4 190	<b>(1)</b>	Machine sold (46 350 × 20% × 8/12)	6 180	<b>(1)</b>	Other machines (74 000 – 46 350 × 20%)	5 530	<b>(1)</b>	Total depreciation charge	15 900		<b>3</b>																							
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3(c)	<p style="text-align: center;">King Extract from Statement of Financial Position at 31 March 2016</p> <table style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Cost</th> <th></th> <th style="text-align: center;">Accumulated Depreciation</th> <th></th> <th style="text-align: center;">Net Book Value</th> </tr> <tr> <th></th> <th style="text-align: center;">\$</th> <th></th> <th style="text-align: center;">\$</th> <th></th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Land and buildings</td> <td style="text-align: right;">272 500</td> <td><b>(1)</b></td> <td style="text-align: right;">22 400</td> <td><b>(1)</b></td> <td style="text-align: right;">250 100</td> </tr> <tr> <td style="padding-left: 20px;">Plant and machinery</td> <td style="text-align: right; border-bottom: 1px solid black;">109 650</td> <td><b>(2)</b></td> <td style="text-align: right; border-bottom: 1px solid black;">28 870</td> <td><b>(3)</b></td> <td style="text-align: right; border-bottom: 1px solid black;">80 780</td> </tr> <tr> <td></td> <td style="text-align: right;">382 150</td> <td></td> <td style="text-align: right;">51 270</td> <td></td> <td style="text-align: right;">330 880 <b>(1)</b></td> </tr> </tbody> </table> <p>Workings:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Cost land and buildings:</td> <td style="padding-left: 20px;">252 000 + 20 500 <b>(1)</b> = 272 500</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation land and buildings:</td> <td style="padding-left: 20px;">21 000 + 1400 <b>(1)</b> = 22 400</td> </tr> <tr> <td style="padding-left: 20px;">Cost plant and machinery:</td> <td style="padding-left: 20px;">123 000 + 62 850 <b>(1)</b> – 76 200 <b>(1)</b> = 109 650</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation plant and machinery:</td> <td style="padding-left: 20px;">49 000 + 15 900 <b>(1)</b> – 6 180 <b>(1)</b> – 29 850 <b>(1)</b> = 28 870</td> </tr> </table>		Cost		Accumulated Depreciation		Net Book Value		\$		\$		\$	Land and buildings	272 500	<b>(1)</b>	22 400	<b>(1)</b>	250 100	Plant and machinery	109 650	<b>(2)</b>	28 870	<b>(3)</b>	80 780		382 150		51 270		330 880 <b>(1)</b>	Cost land and buildings:	252 000 + 20 500 <b>(1)</b> = 272 500	Depreciation land and buildings:	21 000 + 1400 <b>(1)</b> = 22 400	Cost plant and machinery:	123 000 + 62 850 <b>(1)</b> – 76 200 <b>(1)</b> = 109 650	Depreciation plant and machinery:	49 000 + 15 900 <b>(1)</b> – 6 180 <b>(1)</b> – 29 850 <b>(1)</b> = 28 870	<b>8</b>
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3(d)	<p>Wear and tear Obsolescence Changes in technology Changes in fashion tastes and trends Depletion of resources Passage of time Economic reasons <b>1 mark for a valid point up to a max of 3</b></p>	<b>3</b>																																						
	<b>Total:</b>	<b>15</b>																																						

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4(a)	A cost unit is a unit of production <b>(1)</b> whereas a cost centre is part of a business to which costs can be attributed / allocated to <b>(1)</b>	<b>2</b>
4(b)	Production cost centre is directly involved in producing the goods e.g machining, assembly <b>(1)</b> Service cost centre provides a service for the production cost centres / not involved in the production of goods <b>(1)</b>	<b>2</b>
4(c)	The amount each unit of production makes towards covering the fixed costs <b>(1)</b> and providing a profit. <b>(1)</b> Or The difference between sales revenue and variable costs <b>(1)</b> contributing toward making a profit (or towards the fixed costs) <b>(1)</b>	<b>2</b>



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4(h)	<p>Marginal costing will help in short term decision making.  Marginal costing is easy to operate. But relies upon costs being split into fixed and variable  Absorption costing helps set prices  Absorption costing is used in long-run rather than short-run.  Absorption costing is more acceptable / realistic for financial statements.</p> <p>1 mark for decision and 4 for justification</p>	<b>5</b>															
	<b>Total:</b>	<b>30</b>															