

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
GCE Advanced Subsidiary Level and GCE Advanced Level

**MARK SCHEME for the May/June 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.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper 1
	GCE AS/A LEVEL – May/June 2011	9706	

1 (a) Current accounts

	Henry \$	Robin \$		Henry \$	Robin \$	
Balance b/d	6 600	–	Balance b/d		1 000	
	<b>1</b>	<b>1</b>		<b>1</b>	<b>1</b>	
Drawings	12 000	8 000	Interest on capital	9 600	6 400	
	<b>1</b>	<b>1</b>		<b>1</b>	<b>1</b>	
Int drawings	600	400	Salary	5 000	4 000	
	<b>1</b>	<b>2</b>		<b>1</b>	<b>2</b>	
Balance c/d	<u>10 400</u>	<u>13 000</u>	Share of profit	15 000	10 000	
	<u>\$29 600</u>	<u>\$21 400</u>		<u>\$29 600</u>	<u>\$21 400</u>	
			Balances b/d	10 400	13 000	[14]

(b) Net profit for the year

	Henry \$	Robin \$	Total \$	
<b>ADD</b>				
Share of profit	15 000	10 000	25 000	<b>2</b>
Salary	5 000	4 000	9 000	<b>2</b>
Interest on capital	9 600	6 400	16 000	<b>2</b>
<b>LESS</b>				
Interest on drawings	600	400	–1 000	<b>2</b>
Net profit			49 000	

OR

$$OC + CC + DRAWINGS = \$5\ 600 + 23\ 400 + 20\ 000 = \$49\ 000 \quad [8]$$

(c) The advantages are:

- More capital is available
- Different partners may have different skills that are beneficial to the business
- The management of the business can be shared
  - The business is more efficient
  - There are more ideas
  - The responsibility is shared, so less stress
- Losses can be shared

2 marks for each valid comment.

[8]

[Total: 30]

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper 1
	GCE AS/A LEVEL – May/June 2011	9706	

2 (a) Café income statement (trading and profit and loss account) for the year ended 30 April 2011

	\$	\$	
Revenue (sales)		90 000	1
Cost of sales			
Inventory (1 May 2010)	6 500		1
Purchases	<u>36 000</u>		1
	42 500		
Inventory (30 April 2011)	<u>4 800</u>		1
	37 700		
Add Direct wages (28 800 + 4000 – 500)	32 300	70 000	
Gross profit		20 000	
LESS			
Overheads			
Heating and lighting (40% × 18 000)	7 200		1
Rent (40% × 21 000)	<u>8 400</u>	<u>15 600</u>	
Profit for the year (net profit)		<u>\$4 400</u>	[8]

(b) Income and Expenditure account for the year ended 30 April 2011

	\$	\$	
Profit on café	4 400		<b>10F</b>
Subscriptions			
(34 000 – 2 200 + 3 600 + 5 000 – 3 500)	36 900		5
Donations	450		1
Ticket sales	<u>14 560</u>	56 310	
Rent (60% × 21 000)	12 600		1
Heating and lighting (60% × 18 000)	10 800		1
Depreciation of equipment	10 400		2
Interest on loan	<u>1 000</u>	<u>34 800</u>	
Surplus income/expenditure		<u>\$21 510</u>	[14]

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper 1
	GCE AS/A LEVEL – May/June 2011	9706	

(c) Balance Sheet at 30 April 2011

	\$	\$	\$
Non-current (fixed) assets	<u>Cost</u>	<u>Depreciation</u>	<u>NBV</u>
Equipment	104 000	14 400	89 600 <b>1</b>
Current Assets			
Inventory	4 800		
Subscriptions in arrears	3 600		
Bank	<u>4 010</u>		
		12 410 <b>1</b>	
Current liabilities			
Subscriptions prepaid	3 500		
Loan interest	1 000		
Wages accrued	<u>4 000</u>	<u>8 500</u> <b>1</b>	
Net current assets			<u>3 910</u> 93 510
Non-current liabilities			
Loan			<u>20 000</u> <b>1</b>
Net assets			<u>73 510</u>
Accumulated fund		52 000 <b>3</b>	
ADD Surplus I/E		<u>21 510</u> <b>1(OF)</b>	<u>73 510</u>

If accumulated fund shown as \$73 510 award four marks.  
Award 1 mark for every pair, where seen  
Accumulated fund calculation

Assets		
Equipment (40 000 – 4 000)		36 000 <b>1</b>
Inventory		6 500
Bank		12 800
Subscriptions due		<u>2 200</u>
		57 500
Less liabilities		
Subscriptions paid in advance	5 000	
Wages accrued	<u>500</u>	<u>5 500</u>
		52 000

[8]

[Total: 30]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper 1
	GCE AS/A LEVEL – May/June 2011	9706	

(a)	Ojo 1 \$	Ojo 2 \$	Ojo 3 \$	
Sales price	400	450	550	1
Variable costs	<u>300</u>	<u>380</u>	<u>486</u>	1
Contribution	100	70	64	1
Fixed overhead	<u>50</u>	<u>60</u>	<u>60</u>	1
Profit per unit	50	10	4	1

[5]

(b)	Ojo 1 \$	Ojo 2 \$	Ojo 3 \$	
Revenue (sales)	400 000	315 000	220 000	1
Variable costs	<u>300 000</u>	<u>266 000</u>	<u>194 400</u>	1
Contribution	100 000	49 000	25 600	1
Fixed overhead	<u>50 000</u>	<u>42 000</u>	<u>24 000</u>	1
Total profit	50 000	7 000	1 600	1

[5]

**OR**

	Ojo 1 \$	Ojo 2 \$	Ojo 3 \$	
Revenue (sales)	400	450	550	1
Variable costs	<u>300</u>	<u>380</u>	<u>486</u>	1
Contribution	100	70	64	1
Sales in units	1000	700	400	
Total contribution	100 000	49 000	25 600	
Fixed overhead	<u>50 000</u>	<u>42 000</u>	<u>24 000</u>	1
Total profit	50 000	7 000	1 600	1

[5]

(c)	Ojo 1	Ojo 2	Ojo 3	
<u>Fixed overhead</u>	<u>50000</u>	<u>42000</u>	<u>24000</u>	1
Cont per unit	100	70	64	1
BEP	500	600	375	1
Margin of safety	500	100	25	1

[4]

Page 6	Mark Scheme: Teachers' version	Syllabus	Paper 1
	GCE AS/A LEVEL – May/June 2011	9706	

(d) Statement of profit using marginal costing

	February	March	April	
	\$	\$	\$	
Revenue (sales)	21 000	28 000	31 500	1
Opening inventory	4 000	0	2 000	2
Variable costs	<u>8 000</u>	<u>18 000</u>	<u>20 000</u>	1
	12 000	18 000	22 000	
Closing inventory	<u>0</u>	<u>2 000</u>	<u>4 000</u>	2
Variable COGS	12 000	16 000	18 000	
CONTRIBUTION	9 000	12 000	13 500	1
Fixed costs	<u>4 000</u>	<u>4 000</u>	<u>4 000</u>	1
Profit	5 000	8 000	9 500	

**ALTERNATIVE ANSWER**

Statement of profit using marginal costing

	February	March	April	
	\$	\$	\$	
Selling price	700	700	700	
Less Marginal cost	<u>400</u>	<u>400</u>	<u>400</u>	
Contribution per unit	300	300	300	1
Units sold	30	40	45	
Total contribution	9 000	12 000	13 500	3
Less FC	<u>4 000</u>	<u>4 000</u>	<u>4 000</u>	1
Profit	5 000	8 000	9 500	3

[8]

<b>Page 7</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper 1</b>
	<b>GCE AS/A LEVEL – May/June 2011</b>	<b>9706</b>	<b>021Based.com</b>

(e) Statement of profit using absorption costing

	February	March	April	
	\$	\$	\$	
Revenue (sales)	21 000	28 000	31 500	
Opening inventory	5 000	0	2 500	<b>2</b>
Production costs	<u>10 000</u>	<u>22 500</u>	<u>25 000</u>	<b>1</b>
Goods available	15 000	22 500	27 500	
Closing inventory	<u>0</u>	<u>2 500</u>	<u>5 000</u>	<b>2</b>
Cost of Sales	15 000	20 000	22 500	
GROSS PROFIT	6 000	8 000	9 000	
Less overhead U/A	2 000			<b>1</b>
Add overhead O/A		500	1 000	<b>2</b>
Profit for the month	4 000	8 500	10 000	

**ALTERNATIVE ANSWER**

Statement of profit using absorption costing

	February	March	April	
	\$	\$	\$	
Selling price	700	700	700	
Less Marginal cost	<u>500</u>	<u>500</u>	<u>500</u>	<b>1</b>
Gross profit per unit	200	200	200	<b>1</b>
Units sold	30	40	45	
Total gross profit	6 000	8 000	9 000	<b>3</b>
Less overhead U/A	2 000			<b>1</b>
Add overhead O/A		500	1 000	<b>2</b>
Profit for the month	4 000	8 500	10 000	

[8]

[Total: 30]