

## CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level

## MARK SCHEME FOR the November 2001 question papers

**8706 ACCOUNTING**

<b>8706/1</b>	Paper 1 (Multiple Choice), maximum raw mark 30
<b>8706/2</b>	Paper 2 (Structured questions), maximum raw mark 90

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2001 question papers for most IGCSE and GCE Advanced Subsidiary (AS) Level syllabuses.





**CAMBRIDGE**  
INTERNATIONAL EXAMINATIONS

**NOVEMBER 2001**

**ADVANCED SUBSIDIARY LEVEL**

**MARK SCHEME**

**MAXIMUM MARK : 30**

**SYLLABUS/COMPONENT : 8706/1**

**ACCOUNTING  
(MULTIPLE CHOICE)**



<b>Page 1 of 1</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>AS Level Examinations – November 2001</b>	<b>8706</b>	<b>1</b>

<b>Item</b>	<b>Correct Answer</b>	<b>Item</b>	<b>Correct Answer</b>
1	D	16	D
2	C	17	B
3	C	18	D
4	B	19	B
5	A	20	A
6	B	21	A
7	C	22	A
8	A	23	D
9	A	24	B
10	B	25	D
11	C	26	B
12	B	27	D
13	D	28	D
14	A	29	A
15	C	30	C

**CAMBRIDGE**  
INTERNATIONAL EXAMINATIONS

**NOVEMBER 2001**

**ADVANCED SUBSIDIARY LEVEL**

**MARK SCHEME**

**MAXIMUM MARK : 90**

**SYLLABUS/COMPONENT : 8706/2**

**ACCOUNTING  
(STRUCTURED QUESTIONS)**



<b>Page 1 of 4</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>AS Level Examinations – November 2001</b>	<b>8706</b>	<b>2</b>

**Note:** 'OF' – This means the 'own figure' rule applies. A candidate may not be penalised twice for the same error. The candidate is, of course, penalised where the error is made, but any later answers which are wrong purely in consequence of that error are eligible for full marks if the calculation is based on the candidate's own earlier wrong figure.

'CF' = correct figure. Only the correct figure as given in the mark scheme is acceptable.

- 1 (a) Minimise possibility of fraud  
 Make fraud easier to find  
 Minimise time taken to find errors  
 Make errors easier to find; only need check section which is wrong  
 Figures for total debtors and creditors easily available  
 Security - control accounts not handled by sales/purchases ledger clerk  
 etc
- Maximum 2 marks per point to maximum (6)  
 (1 for statement, 1 for development)
- (b) Purchases Ledger Control account
- |                              | Dr      | Cr      | Balance |     |
|------------------------------|---------|---------|---------|-----|
|                              | \$      | \$      | \$      |     |
| Balance at 1/5/2000          |         | 43,120  | 43,120  | 1   |
| Credit purchases for year    |         | 824,140 | 867,260 | 1   |
| Credit purchases returns     | 12,400  |         | 854,860 | 1   |
| Payment to creditors         | 745,980 |         | 108,880 | 1   |
| Discount received            | 31,400  |         | 77,480  | 1   |
| Cr bals to sales ledger a/cs | 5,210   |         | 72,270  | 1+1 |
|                              |         |         |         | (7) |
- (c) (i) Amended Purchases Ledger Control account
- |                                   |         |         |         |     |
|-----------------------------------|---------|---------|---------|-----|
| Balance at 1/5/2000               |         | 43,120  | 43,120  |     |
| Credit purchases for year (+2040) |         | 826,180 | 869,300 | 1   |
| Credit purchases returns          | 12,400  |         | 856,900 |     |
| Payment to creditors (+1450)      | 747,430 |         | 109,470 | 1   |
| Discount received (-1000)         | 30,400  |         | 79,070  | 1   |
| Cr bals to S L accounts (+850)    | 6,060   |         | 73,010  | 1+1 |
|                                   |         |         |         | (5) |
- (c) (ii) Proof
- |                        |  |        |  |     |
|------------------------|--|--------|--|-----|
| Purchases ledger total |  | 67,660 |  | 1   |
| add Balance omitted    |  | 3,210  |  | 1   |
| Invoice omitted        |  | 2,040  |  | 1   |
| Balance understated    |  | 100    |  | 1   |
|                        |  | 73,010 |  | 1   |
|                        |  |        |  | (5) |
- (d) Prudence - a loss should be provided for as soon as it is anticipated  
 but profit should not be assumed until it is actually made (2)

<b>Page 2 of 4</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE Examinations – November 2001</b>	<b>8706</b>	<b>2</b>

- (e) (i) Goodwill - accept reference to  
 difficulty in determining what it is  
 difficulty in quantifying it  
 can't determine future value  
 only recognised on sale of a business  
 purchased Goodwill shown in accounts  
 non-purchased Goodwill not shown in accounts  
 any relevant three points to a maximum **(3)**

- (e) (ii) Stock-in-trade - accept reference to  
 valuation usually at lower of cost or realisable value  
 replacement cost ignored  
 future sales values ignored unless below cost  
 any relevant three points to maximum **(3)**

2 (a)	Accumulated fund at start	\$			
	Fees due	600			
	Stock	500			
	Bank	8400			
	Cash float	50			
	Deposit a/c	15000	24550		1
	Creditors	<u>1450</u>			
	prepaid subs	480	1930		1
			<u>22620</u>		<b>1 OF (3)</b>

(b)	Shop Trading account				
		\$	\$	\$	
	Sales			7168	1
	Add difference in float			<u>20</u>	
				7188	
	Opening Stock		500		1
	Purchases	3745			
	less opening creditors	<u>1450</u>			1
		2295			
	add closing creditors	1260	3555		1
			<u>4055</u>		
	less closing stock		850		1
			<u>3205</u>		
	Wages		4000	7205	1
	Loss on shop			<u>-17</u>	<b>(6)</b>



Page 3 of 4	Mark Scheme	Syllabus	Paper
	AS Level Examinations – November 2001	8706	2

(c)

Subscriptions account			
Balance	b/d	1	600
I & E account		1	6000
Balance	c/d	1 OF	315
			<u>6915</u>
			6915
			<u>315</u>
			315

(5)

(d)

Income & Expenditure Account		\$	
<b>INCOME</b>			
Subscriptions		6000	1
Cash at door		3500	1
Grant		10000	2
Donations		600	1
Interest on deposit a/c		800	1
		<u>20900</u>	
<b>EXPENDITURE</b>			
Loss on dance	90		2
Loss on shop	17		1 OF
General expenses	1565		2
Depreciation	400		2
Rent	8000	10072	1
<b>SURPLUS</b>		<u>10828</u>	1+1 OF

(16)

- 3 (a) Fixed costs are assumed to remain fixed regardless of circumstances  
 BUT As factory expands, rent may increase. Etc  
 Variable costs are assumed to be in direct proportion to volume of production  
 BUT Overtime means higher labour rates. Etc  
 Selling price is assumed to remain constant  
 BUT New competition may mean price has to be lowered  
 It is assumed that all production will be sold  
 BUT Few businesses have no opening or closing stock  
 It is assumed that sales mix will remain unchanged  
 BUT Mix may change, and even though unit sales targets are reached,  
 profits will depend on predominance of high or low margins on goods sold  
 Costs are assumed to remain constant  
 BUT Strikes, inflation, competition may change them  
 Costs mix is assumed to remain constant  
 BUT As business moves from Labour to Capital intensive, this ratio  
 may change.  
 All reasonable/reasoned answers acceptable to max 10 marks (1 per  
 assumption, 1 per limitation)
- (10)



<b>Page 4 of 4</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE Examinations – November 2001</b>	<b>8706</b>	<b>2</b>

(b) (i)	Sales - 7500 @ \$10		75000	
	Direct Materials - 7500 @ \$5.30	39750		
	Direct Labour - 7500 @ \$2	15000		
	Var. Overheads - 7500 @ \$0.9	6750	<u>61500</u>	
	CONTRIBUTION		13500	1 OF
	Fixed Costs - 10000 @ \$0.75		<u>7500</u>	1
	Net Profit		6000	1
			====	(3)
(b) (ii)	Sales - \$9000 @ \$10		90000	
	Direct Material - 9000 @ \$5.30	47700		
	Direct Labour - 9000 @ \$2	18000		
	Var Overheads - 8000 @ \$0.9	7200		1
	- 1000 @ \$0.85	<u>850</u>	<u>73750</u>	1
	CONTRIBUTION		16250	1 OF
	Fixed Costs		<u>7500</u>	
	Net Profit		8750	1
			====	(4)
(c)	Break-even = $FC/c = 7500/1.8$		4166.6667 units	3
	Should be whole number, so =		4167 units	1
				(4)
(d)	Sales - 10000 @ \$9		90000	
	Direct Material - 10000 @ \$5.30	53000		
	Direct Labour - 10000 @ \$2	20000		
	Var O'heads - 8000 @ \$0.9	7200		1
	- 2000 @ \$0.85	<u>1700</u>	<u>81900</u>	1
	CONTRIBUTION		8100	1
	Fixed Costs		<u>7500</u>	
	Net Profit		600	1
			===	(4)
(e)	Lower price means beating competitors' prices so selling more			
	Also means fuller employment for workers			
	But if lowered too much affects profits			
	Unless other savings can be effected			
	Which might mean lowering wages			
	Etc		Up to 4 points, maximum	(4)





