

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**

**9706/23**

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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1A (a) (i)

James and Gemma  
Income Statement (Trading and Profit and Loss) and Appropriation Account  
for the six month period ending 30 June 2009

	\$	\$	\$
Revenue (sales)			90 000
<b>Less Cost of sales</b>			
Opening Inventory (Stock)	6 300		
Purchases	<u>70 000</u>	(1)	
		76 300	
Less Closing Inventory (Stock)		<u>16 300</u>	
Cost of sales			<u>60 000</u>
Gross Profit			30 000
 <b>Less Expenses (Working 1)</b>			
General expenses		6 000	(1)
Depreciation		5 100	(1)
Loan interest		<u>1 350</u>	(1)
			<u>12 450</u>
Profit for the year (Net Profit)			<u><u>17 550</u></u>
<b>Less Salaries:</b>			
James		0	
Gemma		<u>3 000</u>	(1)
		3 000	
<b>Less Interest on capital:</b>			
James (90 000 × 8% × 6 / 12)	3 600	(1)	
Gemma (60 000 × 8% × 6 / 12)	<u>2 400</u>	(1)	
		<u>6 000</u>	
			<u>9 000</u>
			<u><u>8 550</u></u>
<b>Balance of profits shared:</b>			
James		4 275	(1)
Gemma		<u>4 275</u>	
			<u><u>8 550</u></u>

**Working 1**

Total expenses	25 525	
Depreciation (1 <sup>st</sup> Half of the Year)	5 100	
Depreciation (2 <sup>nd</sup> Half of the Year)	5 725	
Loan Interest	<u>2 700</u>	45 000 × 6% = 2 700pa
General Expenses	<u><u>12 000</u></u>	

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(ii)

James and Gemma  
Income Statement (Trading and Profit and Loss) and Appropriation Account  
for the six month period ending 31 December 2009

	\$	\$	\$
Revenue (sales)		150 000	
<b>Less Cost of sales</b>			
Opening Inventory (Stock)	16 300		
Purchases	104 000		
		120 300	
Less Closing Inventory (Stock)		20 300	
Cost of Sales			100 000
Gross Profit			50 000
 <b>Less Expenses</b>			
General expenses		6 000	(1)
Loan interest		1 350	(1)
Depreciation		5 725	(1)
			13 075
Profit for the year (Net Profit)			36 925
 <b>Less Salaries:</b>			
James		0	
Gemma		3 000	(1)
		3 000	
 <b>Less Interest on capital:</b>			
James (115 000 x 8% x 6 / 12)	4 600	(1)	
Gemma (60 000 x 8% x 6 / 12)	2 400	(1)	
		7 000	
			10 000
			26 925
 <b>Balance of profits shared: (2 : 2 : 1)</b>			
James		13 462.50	
Gemma		13 462.50	(1)
			26 925
			26 925

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(b)

	James		Gemma		James		Gemma
Drawings	15 200	(1)	18 300	(1)	Balance b/d	12 000	(1) 9 000
					Interest on capital	8 200	(1) 4 800 (1)
					Salaries	0	6 000 (1)
Balance c/d	<u>22 737.50</u>		<u>19 237.50</u>		Share of Profit	<u>17 737.50</u>	<u>17 737.50</u>
	<u>37 937.50</u>		<u>37 537.50</u>			<u>37 437.50</u>	<u>38 037.50</u>
					Balance b/d	22 737.50	19 237.50

[6]

- (c) Increased skills  
 Additional capital  
 Spread risk  
 Holiday / sickness cover  
 Shared workload  
**(1 each maximum of 3)**

[3]

1B (i)  $240\,000 / (18\,000 + 22\,000) / 2 = 12$  (1) times (1)

(ii)  $24\,000 / 500\,000 = 4.8$  (1) % (1)

(iii)  $63\,000 / 64\,000 = 0.98$  (1) : 1 (1)

[6]

[Total: 30]

2 (a) 300 units (1) @ \$20 (1) = \$6 000 (2 cf or 1 of)

[4]

(b)

Paula Bridgewater  
 Income Statement (trading account) for the month of February 2009

	\$	\$	\$
Sales			182 000 (1)
Opening Inventory (Stock)	7 000 (1)		
Purchases	<u>97 000 (1)</u>		
		104 000	
Closing Inventory (Stock)		<u>6 000 (1)</u>	
Cost of Sales			<u>98 000</u>
Gross Profit			84 000 (1of)

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- (c) Stock should be valued at the lower of cost and net realisable value. IAS states companies should either use the FIFO or AVCO method of stock valuation. Whichever method is used should be used consistently – Consistency concept. Prudence concept states that companies should choose the lowest value when valuing their assets.

**(3 × 2 marks) (1 plus 1 for development)**

[6]

(d)

Paula Bridgewater  
Income Statement (trading account) for the period ending 31 December 2009

	\$	\$	\$	
Sales			362 000	(1)
Opening Inventory (Stock)	11 700	(1)		
Purchases	<u>22 600</u>	(1)		
			34 300	
Closing Inventory (Stock)		<u>7 150</u>	(2)	
Cost of Sales			<u>27 150</u>	
Gross Profit			9 050	(1of)

**(Accept any other format or calculation)**

[6]

- (e) Depreciation for the period =  $(6000 - 600) \times 20\% \times 2/12 = \$180$  (2)  
Net Book Value = 3 840 (1) – 180 (1of) = 3 660

[4]

(f)

Total Trade Receivables (debtors)

Bal b/d	2 400	Bad debt	600 (1)
		Cash / bank	4 300 (1)
Sales	<u>6 500</u> (1)	Bal c/d	<u>4 000</u> (2cf or 1of)
	<u>8 900</u>		<u>8 900</u>

[5]

**[Total: 30]**

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3 (a) (i)

Cutting Department	501 600 / 76 000	\$6.60 (1)
Pressing Department	450 000 / 72 000	\$6.25 (1)
Production Department	702 000 / 104 000	\$6.75 (1)
Assembly Department	264 000 / 44 000	\$6.00 (1)

[4]

(ii)

Cutting Department	364 800 / 76 000	\$4.80 per DLH (1)
Pressing Department	439 200 / 72 000	\$6.10 per DLH (1)
Production Department	509 600 / 104 000	\$4.90 per DLH (1)
Assembly Department	233 200 / 44 000	\$5.30 per DLH (1)

[4]

(b)

**Statement to show total cost for Job Number SMC20**

		\$	\$	
Direct materials			140 156	(1)
Direct labour				
Cutting Department		13 200		
Pressing Department		9 000		
Production Department		16 200		
Assembly Department		<u>6 000</u>	<u>44 400</u>	(1)
Prime cost			184 556	
Factory overheads				
Cutting Department	13 200 / 6.60 = 2 000 (1) × 4.80	9 600	(1)	
Pressing Department	9 000 / 6.25 = 1 440 (1) × 6.10	8 784	(1)	
Production Department	16 200 / 6.75 = 2 400 (1) × 4.90	11 760	(1)	
Assembly Department	6 000 / 6.00 = 1 000 (1) × 5.30	<u>5 300</u>	(1)	
			<u>35 444</u>	
Cost of production			220 000	(1of)
Administration costs			<u>44 000</u>	(1of)
Total cost			<u><u>264 000</u></u>	

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(c) Selling price = 264 000 (1of) × 125% (1) = \$330 000 (1of) [3]

(d) Overheads tend to be related to time.  
The company may be labour intensive  
Using a departmental labour rate is appropriate if different grades of labour are used in each department.

(2 × 2 marks – 1 for point and 1 for development / 1 further mark for evaluation point) [5]

(e) Single factory rate  
Machine hour rate  
Unit cost  
% prime cost  
% direct labour cost  
% direct material cost  
Activity based costing

(2 x 1 mark) [2]

[Total: 30]