

CAMBRIDGE INTERNATIONAL EXAMINATIONS
GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

9706 ACCOUNTING

9706/22

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

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Cambridge is publishing the mark schemes for the October/November 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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1 (a) Statement of opening capital

	\$
Assets	
Premises	100 000
Equipment	24 000
Inventory	16 800
Bank	8 000
Trade receivables	26 800
Prepayments	<u>1 200</u>
	176 800
Less liabilities	
Trade payables	<u>21 200</u>
Capital at 1 May 2011	<u>155 600</u>

Award 1 mark for every pair, including the capital, where seen

[4]

(b) Sharon Woo Income Statement for the year ended 30 April 2012

	\$	\$	
Revenue (sales)			
Cash (260 000 + 18 000)		278 000	2
Credit (40 000 + 24 800 – 26 800 + 7 200)		<u>45 200</u>	4
		323 200	
Cost of sales			
Inventory (1 June 2011)	16 800		
Purchases (216 000 + 22 400 – 21 200 + 10 800)			
	<u>228 000</u>		4
	244 800		
Inventory (30 April 2012)	<u>20 800</u>	224 000	
Gross profit		99 200	
Add discount received		<u>10 800</u>	1
		110 000	
LESS			
Discount allowed	7 200		1
Wages (22 000 + 12 000)	34 000		1
Rent (10 000 + 1 200 – 1 600)	9 600		1
Depreciation (24 000 + 20 000 – (4 800 + 400) – 36 400)	2 400		5
Loss on sale	<u>400</u>		1
		<u>53 600</u>	
Net profit		<u>56 400</u>	[20]

(c) **1 of 1 of 1 of**
ROCE = 56 400/155 600 = 36.25%

[3]

- (d)
- Allows investor to make decisions between alternatives
 - Allows comparison with similar businesses
 - Allows comparison with less risky investments, e.g. Bank

One mark per relevant point to maximum of 3

[3]

[Total: 30]

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- 2 (a) Amina and Nizam**
 Appropriation account for the year ended 31 December 2011
- | | | | | |
|----------------------------------------------|--------------|--------------|---------------|-------------------|
| | \$ | \$ | \$ | |
| Profit for the year | | | 120 000 | |
| Add Charged for interest on drawings: | | | | |
| Amina | | 1 300 | 1 | |
| Nizam | | <u>1 750</u> | 1 | 3 050 |
| | | | | <u>123 050</u> |
| Less Salary: Amina | | 24 450 | 1 | |
| Less Interest on capital: | | | | |
| Amina | 6 000 | 1 | | |
| Nizam | <u>9 600</u> | 1 | <u>15 600</u> | <u>40 050</u> |
| | | | | <u>83 000</u> |
| Balance of profits shared: | | | | |
| Amina | | 31 125 | 1 | |
| Nizam | | 51 875 | | <u>83 000</u> [6] |
- (b) Current Account**
- | | | | | | | |
|----------------------|---------------|---------------|---------------------|---------------|---------------|-----|
| | Amina | Nizam | | Amina | Nizam | |
| | \$ | \$ | | \$ | \$ | |
| Balance b/d | 8 400 | 3 200 | Interest on capital | 6 000 | 9 600 | 1 |
| Drawings | 26 000 | 35 000 | Salaries | 24 450 | | 1 |
| Interest on Drawings | 1 300 | 1 750 | Share of Profit | 31 125 | 51 875 | 1 |
| Balance c/d | <u>25 875</u> | <u>21 525</u> | 1 of | | | |
| | <u>61 575</u> | <u>61 475</u> | | <u>61 575</u> | <u>61 475</u> | [6] |
- (c) Capital Account**
- | | | | | | | | | |
|-------------|----------------|----------------|----------------|---|---------------|----------------|----------------|--------------------|
| | Amina | Nizam | Sarah | | Amina | Nizam | Sarah | |
| | \$ | \$ | \$ | | \$ | \$ | \$ | |
| Goodwill | 12 000 | 20 000 | 8 000 | 1 | Balance b/d | 160 000 | 240 000 | 1 |
| | | | | | Cash | | 70 000 | 1 |
| | | | | | Inventory | | 30 000 | 1 |
| | | | | | Motor vehicle | | 20 000 | 1 |
| Balance c/d | <u>163 000</u> | <u>245 000</u> | <u>112 000</u> | | Goodwill | <u>15 000</u> | <u>25 000</u> | 1 |
| | <u>175 000</u> | <u>265 000</u> | <u>120 000</u> | | | <u>175 000</u> | <u>265 000</u> | <u>120 000</u> [6] |
- (d)**
- | | | | | |
|--------------------|--|--------|---|--------|
| 1 Sales | | 18 200 | 1 | |
| Suspense | | | | 18 200 |
| 2 Suspense | | 9 600 | 1 | |
| Discounts allowed | | | | 9 600 |
| Suspense | | 9 600 | 1 | |
| Discounts received | | | | 9 600 |
| 3 Bank | | 9 400 | 1 | |
| Suspense | | | | 9 400 |

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(e) Suspense Account			
Balance B/F	8 400	Sales	18 200 1
Discounts allowed	9 600 1	Bank	9 400 1
Discounts received	<u>9 600 1</u>		
	<u>27 600</u>		<u>27 600</u>

All OF from **(d)** [4]

[Total: 30]

3 (a)	Aloe	Hazel	Peach	
Sales (litres)	<u>120 000</u>	<u>39 000</u>	<u>60 000</u>	
Divided by per hour	8 litres	4 litres	5 litres	
Hours	15 000	9 750	12 000	
Total hours (15 000 + 9 750 + 12 000) =	36 750 hours			2 or 0 [2]

(b) Profit Statement

	Aloe	Hazel	Peach	
Sales (litres)	120 000	39 000	60 000	
	\$	\$	\$	
Sales income	960 000	546 000	600 000	
Less				
Direct materials	(324 000)	(304 200)	(321 600) 1	
Variable OH	(216 000)	(85 800)	(60 000) 1	
Direct labour	(48 000)	(31 200)	(38 400) 3	
Total contribution	372 000	124 800	180 000	
Less Fixed costs	(195 000)	(126 750)	(156 000) 3	
Net profit/loss	<u>177 000</u>	<u>(1 950)</u>	<u>24 000</u> 3	
Total profit	\$199 050 1			[12]

(c)	Aloe	Hazel	Peach	
Hours	15 000	9 750	12 000 1	
Total contribution	\$372 000	\$124 800	\$180 000 1	
C per labour hour	\$24.80	\$12.80	\$15.00 1	[3]

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(d)	Aloe	Peach	
Sales (litres)	132 000	66 000	1
Sales price	\$8	\$10	
	\$	\$	
Sales income	1 056 000	660 000	
Less			
Direct materials	(356 400)	(353 760)	1
Variable OH	(237 600)	(66 000)	1
Direct labour	(52 800)	(42 240)	1
Fixed costs	(214 500)	(171 600)	2
Net profit/loss	<u>194 700</u>	<u>26 400</u>	
Total Profit	221 100		
Less fixed OH under absorbed	<u>163 900</u>		2
Revised profit	\$57 200		1 [9]

- (e)** Original profit = \$199 050
 Revised profit = \$ 57 200
 Reduction in profit \$141 850

Maintain production of all 3 shampoos.

Do not halt production of Peach shampoo as fixed cost burden for other 2 products increases.

Peach is making a contribution to fixed costs.

Two marks per valid point.

[4]

[Total: 30]