

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
GCE Advanced Subsidiary Level and GCE Advanced Level

## **MARK SCHEME for the October/November 2013 series**

### **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.

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

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1 (a) Shop income statement for the year ended 31 May 2013

	\$	\$	
Revenue (sales)		120 000	(1)
Cost of sales			
Inventory (1 June 2012)	8 500		(1)
Purchases	<u>32 500</u>		(1)
	41 000		
Inventory (31 May 2013)	<u>4 800</u>		(1)
	36 200		
Add Direct wages (27 000 + 3000 – 1000)	<u>29 000</u>	65 200	
Gross profit		54 800	
LESS			
Overhead			
Insurance (20% × 11 000)	2 200		(1)
Heating and lighting (20% × 20 000)	<u>4 000</u>	<u>6 200</u>	
PROFIT (NET)		<u>48 600</u>	[8]

(b) Income and Expenditure account for the year ended 31 May 2013

	\$	\$	
Shop profit	48 600		(1)OF
Subscriptions			
(44 000 + 4000 – 4200 + 5600 – 3500)	45 900		(5)
Donations	450		(1)
Interest on deposit account	<u>90</u>	95 040	
Fitness coach – wages	16 000		
Insurance 80% × (12 000 – 1000)	8 800		(1)
Heating and lighting (80% × 20 000)	16 000		(1)
Loan interest 6% × (40 000 ÷ 2)	1 200		(1)
Depreciation – sports equipment	9 400		(1)
Printing and stationery	5 500		(1)
Sundry expenses	<u>800</u>	<u>57 700</u>	
Surplus income/expenditure		<u>37 340</u>	[14]

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(c) Statement of Financial Position at 31 May 2013

	\$ Cost	\$ Depreciation	\$ NBV
Non-current assets			
Premises			100 000
Equipment	115 000	14 400	<u>100 600</u> (1)
			200 600
Current Assets			
Inventory	4 800		
Subscriptions in arrears	5 600		
Insurance prepaid	1 000		
Bank – deposit account	2 390		
Bank – current account	15 350 (1)		
Cash	<u>250</u>		
		29 390 (1)	
Current liabilities			
Subscriptions prepaid	3 500		
Loan interest	1 200		
Wages accrued	<u>3 000</u>	<u>7 700</u> (1)	<u>21 690</u>
			222 290
Non-current liabilities			
Loan			<u>40 000</u> (1)
Net assets			<u>182 290</u>
Accumulated fund	144 950 (2)		
ADD Surplus I/E	<u>37 340</u> (1)OF		<u>182 290</u>
Accumulated fund calculation			
Assets			
Premises	100 000		
Equipment (30 000 – 5000)	25 000		
Inventory	8 500		
Bank – deposit account	2 000		
Bank – current account	10 000		
Cash	250		
Subscriptions due	<u>4 200</u>		
	149 950		
Less liabilities			
Subscriptions prepaid	4 000		
Wages accrued	<u>1 000</u>	<u>5 000</u>	
		<u>144 950</u>	

[8]

[Total: 30]

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- 2 (a) (i) Gross profit = 35% of sales = \$29 750 000 [2]
- (ii) Cost of sales = sales – gross profit = \$55 250 000 [2]
- (iii) Average inventory =  $\frac{\text{Cost of sales}}{\text{Inventory turnover}}$  = \$5 525 000
- Closing inventory = (Average inventory × 2) – opening inventory  
= 11 050 000 (3) – 7 800 000 (1) = \$3 250 000 [4]
- (iv) Purchases = Cost of sales + closing inventory – opening inventory  
= 55 250 000 (1) + 3 250 000 (1) – 7 800 000 (1) = \$50 700 000 [3]
- (v) Net profit for year = 14% of sales = \$11 900 000 [2]
- (vi) Expenses = Gross profit – profit for year = \$17 850 000 [2]
- (vii) Trade payables =  $\frac{\text{Purchases} \times \text{TP turnover rate}}{365}$
- =  $\frac{50\,700\,000\ (1) \times 42\ (1)}{365\ (1)}$  = \$5 833 972 [3]
- (viii) Trade receivables =  $\frac{\text{Sales} \times \text{TR turnover rate}}{365}$
- =  $\frac{85\,000\,000\ (1) \times 58\ (1)}{365\ (1)}$  = \$13 506 849 [3]

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**(b) Shareholders and potential shareholders (1)**

Interested in: sales and profit trends (1) future performance (1) profit available for distribution (1) yield on investment (1) ease of payment of dividends from profits (1) management of funds (1)

**Creditors (1)**

Interested in: working capital (1) acid test (1) profitability (1) order of claim in event of liquidation (1)

**Lenders (1)**

Interested in: purpose for which loan needed (1) security of loans (1) profit trends (interest) (1) current ratio (1) book values of non-current assets compared to saleable value (1) order of claim in event of liquidation (1)

**Government bodies (1)**

Interested in: wages (income tax) (1) profits (corporation tax) (1) VAT returns (1) forecasts of future expansion (1)

**Employees and Trade Unions (1)**

Interested in: profits earned this year (1) potential and past profits (1) future prospects (1) dividends (1)

Marks awarded are **one** for each user to a maximum of 3 and a maximum of **two** for the information required by **each** of those users.

In **(b)**, correct answers outside the AS syllabus **will** be accepted. Above answers are **not** exclusive.

[max 9]

[Total: 30]

**3 (a) (i)**

	Total (\$)	Machining (\$)	Finishing (\$)	Stores (\$)	
Depreciation of plant (Basis – Value of plant)	6 000	5 375	500	125	(1 for all)
Lighting and heating (Basis – Floor area)	4 500	2 250	2 025	225	(1 for all)
Plant insurance (Basis – Value of plant)	4 800	4 300	400	100	(1 for all)
Rent (Basis – Floor area)	18 000	9 000	8 100	900	(1 for all)
Supervision (Basis – No of employees)	<u>25 000</u>	<u>12 000</u>	<u>8 000</u>	<u>5 000</u>	(1 for all)
	<u>58 300</u>	<u>32 925</u>	<u>19 025</u>	<u>6 350</u>	

[5]

(ii)

	<b>Machining (\$)</b>	<b>Finishing (\$)</b>	<b>Stores (\$)</b>
From part (a)	32 925	19 025	6 350
Apportion Spares (No of orders)	<u>4 500</u> (1)of	<u>1 850</u> (1)of	<u>(6 350)</u> (1)of
	<u>37 425</u> (1)of	<u>20 875</u> (1)of	—

[5]

- (b) Machining department      \$37 425 (1)of ÷ 4250 (1) = \$8.81 per machine hour (1)of  
 Finishing department      \$20 875 (1)of ÷ 4950 (1) = \$4.22 per direct labour hour (1)of [6]

- (c) Machining department      \$8.81 (1)of × 6000 (1) = \$52 860 (1)of  
 Finishing department      \$4.22 (1)of × 5000 (1) = \$21 100 (1)of [6]

(d)

	<b>Absorbed</b>	<b>Charged</b>	
Machining department	\$52 860	\$48 340	\$4520 (1)of over absorbed (1)of
Finishing department	\$21 100	\$22 780	\$1680 (1)of under absorbed (1)of

[4]

- (e) Actual hours worked differs from forecast hours (1). When more hours are actually worked than forecast this will result in an over absorption (1). When fewer hours are actually worked than forecast this will result in under absorption (1). This means that production will be charged with more or less overheads (1). [4]