CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Subsidiary and Advanced Level

MARK SCHEME for the October/November 2015 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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CAMBRIDGE
International Examinations

1 (a)

Anton
Income Statement for the year ended 30 September 2015

	$		$
Revenue (10 500 **(1)** + 153 300 + 9670 **(1)** + 20 476 **(1)**)			172 946
Less cost of sales			
Inventory at 1 October 2014	24 640		
Purchases			
Less goods for own use (119 690 **(1)** – 1842 **(1)**)	117 848		
	142 488		
Less Inventory 30 September 2015	(27 200)	**(1)**	115 288
Gross Profit			57 658 **(1of)**
Less expenses			
Rent (8500 + 2400 – 1500)	9 400	**(1) both adj**	
Wages	17 800		
Electricity	7 540		
General expenses	4 630		
Depreciation			
– delivery vehicles (20 300 **(1)** – 1360 **(1)**) × 20%	3 788	**(1of)**	
– office fixtures	900		
Delivery vehicle expenses			
(980 + 20 476 **(1)** – 12 900 – 7200 **(1both)** – 445)	911	**(1)**	
Loss on delivery vehicle (9000 – 1800 – 1440**(1)** – 5400)	360	**(1)**	45 329
Profit for the year			12 329

[16]

(b)

Anton
Statement of Financial Position at 30 September 2015

	$ Cost		$ Acc Dep	$ NBV	
Non-current assets					
Office fixtures	9 500		900	8 600	**(1)**
Delivery vehicles	20 300	**(1)**	5 148	15 152	**(1)**
	29 800		6 048	23 752	
Current assets					
Inventory				27 200	**(1of)**
Trade receivables				9 670	
Cash				445	
				37 315	
Total assets				61 067	
Capital and liabilities					
Opening capital				40 150	**(1)**
Add: Profit for the year				12 329	
				52 479	
Less: Drawings: goods				(1 842)	**(1 of both)**
cash				(7 200)	
				43 437	
Current liabilities					
Trade payables				13 460	
Other payables				2 400	
Bank				(1 770)	**(2)**
				17 630	
Total capital and liabilities				61 067	

Workings
Opening capital: 9500 + 15 700 + 10 500 + 980 + 24 640 = 61 320
Less 12 670 + 1500 + 2 400 + 4 600 = 21 170 = 40 150
Closing inventory 40 800 / 3 × 2 = 27 200
Delivery vehicles 15 700 – 9000 + 13 600 = 20 300 cost

[8]

(c) $9670 less 750 = 8920 × 4% = 356.80 **(1)**
Profit reduced **(1)** by 750 + 356.80 = 1106.80 **(1)** **[3]**

(d) To avoid overstating trade receivables **(1)**
To avoid overstating profit for the year **(1)**
To apply the prudence concept **(1)**
To apply the matching concept **(1)**
To reflect the true and far view **(1)** **[Max 3 marks]** **[3]**

[Total: 30]

2 (a) Income statement for the year ended 31 January 2015

	$	$
Revenue		163 400
Add rent received (10400 / 13 × 12)		9 600
		173 000 **(2)**
LESS		
Insurance (13260 – 6400)	6 860 **(1)**	
Wages (6500 + 8500)	15 000 **(1)**	
Rates	9 500	
Provision for doubtful debts (174 to 234)	60 **(2)**	
Office expenses (28200 – 470)	27 730 **(1)**	
Depreciation:		
Fixtures and fittings	750 **(1)**	
Motor vehicles	5 000 **(1)**	
Computer equipment	1 300 **(1)**	66 200
Profit for the year		106 800 **(1of)**

[11]

(b) Current account – Tania

	$			$	
Int on drawings	350	**(1)**	Balance	5 000	**(1)**
Drawings	5 000	**(1)**	Int on capital	4 900	**(1)**
Balance c/d	71 068		Salary	17 400	**(1)**
			Profit share	49 218	**(1of)**
	76 418			76 418	
			Balance b/d	71 068	**(1)**

[7]

(c) Depletion, wear and tear, obsolescence, technological advance, usage, time, any other acceptable answer **(1 mark per point)**

Any 4 to a maximum of 4 **[4]**

(d) Matching – to match costs with income generated.
Prudence – so as not to overstate profits.
Consistency – using the same depreciation method.

Any 2 to a maximum of 4 [1 concept, 1 explanation] **[4]**

(e) Motor vehicles tend to fall in value more in the early years. **(1)** They lose value the minute they are registered for use. Repair and maintenance costs increase as the motor vehicle gets older **(1)**. The straight line method of depreciation depreciates the vehicle at the same amount each year which does not balance up the increasing repair and maintenance costs in later years. **(1)** However, the reducing balance method depreciates the motor vehicle more in the earlier years and less in later years. The reducing balance method therefore depreciates the asset less in later years which balances with the increasing repair and maintenance costs thus providing a fairer matching of costs with income generated **(1).**

1 mark to a maximum of 4 **[4]**

[Total: 30]

3 (a)

	Mynor		Hanbridge	
	$		$	
Direct materials	9 600	**(1)**	9 000	**(1)**
Direct labour	28 800	**(1)**	27 000	**(1)**
Total	38 400		36 000	

[4]

(b)

	Total	Mynor		Hanbridge		Sales and administration	
	$	$		$		$	
Supervisor's salary	5 900	3 200		2 700		0	**(1) row**
Rent	12 500	6 250		5 000		1 250	**(1) row**
Power	6 000	2 400		3 000		600	**(1) row**
Depreciation	1 000	450		400		150	**(1) row**
Sales and administration	13 550	0		0		13 550	**(1) row**
Total	38 950	12 300	**(1of)**	11 100	**(1of)**		

[7]

(c)

	Mynor	Hanbridge	
	$	$	
Value per unit	(38 400 + 12 300) = 50 700 **(1)** 50 700 ÷ 800 = $63.38 **(1of)**	(36 000 + 11 100) = 47 100 **(1)** 47 100 ÷ 600 = $78.5 **(1of)**	
Number of units in inventory	100	200	**(1of) both**
Total value of inventory	$6 338	$15 700	**(1of) both**

[6]

(d) Tellwright Limited

Manufacturing Account for the three months ended 31 March 2015

	$	
Raw materials (9600 + 9000)	18 600	**(1of)**
Direct labour (28 800 + 27 000)	55 800	**(1of)**
Prime cost	74 400	**(1of)**
Overheads 12 300 **(1of)** + 11 100 **(1of)**	23 400	
Cost of production	97 800	**(1of)**

[6]

(e) Tellwright Limited
Income Statement for the three months ended 31 March 2015

		$	$	
Revenue	700 × 90		63 000	**(1)**
	400 × 120		48 000	**(1)**
			111 000	
Cost of production		97 800		**(1of)**
Closing inventory (6 338 + 15 700)		22 038		**(1of)**
Cost of sales			75 762	
Gross profit			35 238	**(1of)**
Sales and administration costs			15 550	**(1of)**
Profit for the period			19 688	**(1of)**

[7]

[Total: 30]