CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2013 series

9706 ACCOUNTING

9706/21 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.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

1 **(a)** Income statement (trading section) from the year ended 31 March 2013.

	$	$		
Revenue		50 000		
Cost of sales				
Inventory (1 August 2012)	15 400			
Purchases	23 000			
	38 400			
Inventory (31 March 2013)	13 200			
		25 200	(1)	
Gross profit		24 800	(1)	**[2]**

(b) Gross profit percentage = (24 800 / 50 000) × 100 = 49.6% **[2]**

(c) The gross margin obtained is less (worse) than planned.
The cost of the goods purchased for resale may have been higher than anticipated.
More wastage than anticipated.
Theft of inventory or cash
Closing inventory was understated
Discount on selling price

Two marks per point – max of 4. **[4]**

(d) Income and Expenditure account for the year ended 31 March 2013

	$		$	
Profit on food and drink	24 800	(1)OF		
Subs (30 000 – 1600 – 400 + 1000 + 2600)	31 600	(2)		
Profit on concert (116 800 – 83 500 – 27 000)	6 300	(3)	62 700	
Printing (14 000 – 2600 + 2800)	14 200	(1)		
Repairs	8 000			
Salaries (45 000 – 2800 + 1600)	43 800	(1)		
Sundry expenses	760	(1)		
Sponsorship	1 000			
Loan interest due	2 700	(1)		
Depreciation	34 000	(1)		
Loss on sale of equipment	2 000	(1)		
			106 460	
Deficit of expenditure/income			$43 760	**[12]**

Candidate may assume printing is for concert programmes in which case there would be a loss on the concert of $7900.

Workings for depreciation: (200 000 – 40 000 + 10 000) × 20% = 34 000

(e) Statement of Financial Position at 31 March 2013

	$		$	$	
Non-current (fixed) assets	Cost		Depreciation	NBV	
Equipment	170 000		66 000	104 000	(3)
Current assets					
Inventory	13 200				
Subscriptions in arrears	2 600				
Bank	32 540	(2)			
			48 340		
Current liabilities					
Subscriptions prepaid	400				
Salaries accrued	1 600				
Interest accrued	2 700				
Printing accrued	2 800		7 500	40 840	
				144 840	
Non-current liabilities					
Loan				30 000	
Net assets				114 840	
Accumulated fund	158 600	(4)			
LESS Deficit I/E	43 760	(1)(OF)		114 840	

ACCUMULATED FUND CALCULATION

Award one mark for each pair correct to maximum of 4

Assets		
Equipment (200 000 – 40 000)		160 000
Inventory		15 400
Subscriptions due		1 600
		177 000
Less liabilities		
Salaries accrued	2 800	
Subscriptions prepaid	1 000	
Printing accrued	2 600	
Bank overdraft	12 000	18 400
		158 600

[10]

[Total: 30]

Workings for net depreciation: 40 000 – 8000 + 34 000 = 66 000.

2 (a) (i)

Machinery Account

	$			$	
Balance b/d	138 600	(1)	Disposal	14 000	(1)
Bank	11 500	(1)	Disposal	8 000	(1)
Bank	16 200		Disposal	9 600	(1)
			Balance c/d	134 700	
	166 300			166 300	

[5]

(ii)

Provision for Depreciation of Machinery Account

	$			$	
Disposal	7 560	(1of)	Balance b/d	52 200	(1)
Disposal	5 760	(1of)	Income Statement	24 246	(1of)
Disposal	8 640	(1of)			
Balance c/d	54 486	(1)			
	76 446			76 446	

[6]

Workings for balance of depreciation: (134 000 – 10%) × 20% = 24 246

(iii)

Machinery disposals Account

	$			$	
Machinery	14 000		Provision for Depreciation	7 560	(1)
Machinery	8 000		Bank	7 100	
Machinery	9 600	(1)	Provision for Depreciation	5 760	(1)
			Bank	1 320	(1)
			Provision for Depreciation	8 640	(1)
			Bank	850	
	31 600				
			Income Statement	370	(1of)
				31 600	

[6]

(b) Reducing balance method (1), revaluation (1) or any other valid method. **[2]**

(c) Time, wear and tear, obsolescence, depletion (any 3 for 1 mark each). **[3]**

(d)

Receipts	January	February	March	
Receipts from customers	12 000	10 000	12 000	(1)
Payments				
Payments to suppliers	10 000	4 000	6 000	(1)
	4 000	6 000	8 000	(1)
Other expenses	5 000	5 000	5 000	(1)
	19 000	15 000	19 000	
Opening bank balance	800 (1)	(6200)	(11200)	
Net cash flow	(7 000)	(5 000)	(7 000)	
Closing bank balance	(6 200)	(11 200)	(18 200) (1of)	

[6]

(e) Delay payment to suppliers; reduce expenses if possible; take deposits from customers; offer settlement discounts (2 × 1 mark). **[2]**

[Total: 30]

3 (a)

	$	$
Revenue (total costs × 1.25)		2 768 750 (2of)
Direct material	310 000 (1)	
Direct labour – Department A	320 000 } (1)	
Direct labour – Department B	180 000 } (1)	
Production overhead – Department A	520 000 } (1)	
Production overhead – Department B	480 000 } (1)	
Administration overhead	405 000 } (1)	2 215 000
Profit for the year		553 750 (1of)

[9]

(b) (i) $520 000 / 32 000 hours = $16.25 per direct labour hour **[2]**

(ii) $480 000 / 20 000 hours = $24.00 per direct labour hour **[2]**

(iii) $405 000 / $810 000 = 50% of direct production costs **[2]**

(c)

		$	
Direct material	5 625 × $2.48	13 950	(1)
Direct labour – Department A	1 500 × $10.00	15 000	(1)
Direct labour – Department B	1 200 × $9.00	10 800	(1)
Production overhead – Department A	1 500 × $16.25	24 375	(1of) 2(of)
Production overhead – Department B	1 200 × $24.00	28 800	(1of) 2 (of)
Administration overhead	$39 750 (1) × 50%	19 875	(1of)
Total costs		112 800	(2 + 1of)

[11]

(d) $112 800 (1of) × 1.25 (2) = $141 000 (1of)

OR $112 800 (1of) + 28 200 (2) = $141 000 (1of) **[4]**

[Total: 30]