

#### CAMBRIDGE INTERNATIONAL EXAMINATIONS

General Certificate of Education Advanced Subsidiary and Advanced Level

## MARK SCHEME FOR the June 2002 question papers

## 9706 ACCOUNTING

9706/2 Paper 2 (Structured Questions), maximum raw mark 90

9706/4 Paper 4 (Problem Solving), maximum raw mark 120

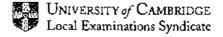
These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the Report on the Examination.

CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the June 2002 question papers for most IGCSE and GCE Advanced (A) and Advanced Subsidiary (AS) Level syllabuses.





**JUNE 2002** 

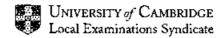
### GCE ADVANCED SUBSIDIARY AND ADVANCED LEVEL

# **MARK SCHEME**

IMANAMIUMI MANBAK : 200

**SYLLABUS/COMPONENT: 9706/2** 

**ACCOUNTING** 



Page 1 of 6	Mark Scheme	Syllabus	Paper
	AS and A Level Examinations - June 2002	9706	2

1 (a)	Profit & Loss & Appro	priation 19		nts for y 20		nded 31 20 (	_	st
	Sales C of Sales G Profit	\$000	\$000 450 350 100	\$000		\$000	\$000 640 <u>577</u> 63	1 1
	Rent General expenses Depreciation	10 53 3	, 50	11 60 4	<b>.</b>	12 66 7	00	1 1 1
	Loan interest paid Net profit Dividend proposed		66 34 14 20	_	75 12 <u>14</u>	<u>5</u>	90 -27	1
	P& L Balance b/f		20 <u>6</u> 26 ==		14 -2 26 24		-27 <u>24</u> -3	1
(b)			i	Balance		ts		8
	Fixed Assets							
	Fittings at cost	33		40		173		1
	less depreciation	<u>10</u>	<u>23</u> 23	<u>14</u>	<u>26</u> 26	<u>31</u>	<u>142</u> 142	1
	Current Assets							
	Stock	44		49		107		1
	Debtors	18		25		21		1
	Bank	<u>51</u> 113 ==		<u>45</u> 119 ==		1 <u>28</u> ==		1
	Current Liabilities							
	Creditors Bank	36		47		73 52		1 1
	Proposed dividend	<u>14</u> 50		<u>14</u> 61		125		1
	Net Current Assets		<u>63</u> 86		<u>58</u> 84		<u>3</u> 145	3
	Long term liabilities		86		84		<u>68</u> 77	1
	Share Capital		== 60		== 60		== 90	4
	Profit & Loss		<u>26</u> 86		<u>24</u> 84		80 <u>-3</u> 77	1 1 of
			==		==		==	
								14

Page 2 of 6	Mark Scheme	Syllabus	Paper
	AS and A Level Examinations - June 2002	9706	2

(c) From Profit in 1999 to Loss in 2001.

No dividend by 2001.

Bank overdraft by 2001.

Net Current Assets considerably reduced by 2001.

Loan plus overdraft used to finance extra fixed assets.

Negative Profit & Loss balance by 2001.

Any ratios to support above.

Improved asset base

But generally bad news.

Etc

1 mark each to maximum

8

Page 3 of 6	Mark Scheme	Syllabus	Paper
	AS and A Level Examinations - June 2002	9706	2

2 (8	i) FIFO									
	Date	ín				Out	Balance			
			Q	Р	V(\$)	Q	Q	Р	V(\$)	
	January		280	65	18 200	_	280	65	18 200	
	February March		100	69	6 900	140	140 100	65 69	9 100 6 900	
	April			~~		190	50	69	3 450	
	May		220	72	15 840		270	72	19 440	1
	June					200	70	72	5 040	1
				\$	\$	\$	\$			
	Sales		140		82	11 480				
			190		85	16 150				
			200		90	<u>18 000</u>	45 630			3
	Less Cost		ales							
	Purchases			40 940						
	les C/Stoo	ck		<u>5 040</u>			<u>35 900</u>			1
	Profit						9 730			1
(b)	LIFO									(7)
	Date	ln			C	Out I	Batance			
			Q	Р	V(\$)	Q	Q	Þ	V(\$)	
	January		280	65	18 200		280	65	18 200	
	February					140	140	65	9 100	
	March		100	69	6 900		100	69	6 900	
	April					190	50	65	3 250	
	May		220	72	15 840		220	72	15 840	
	June					200	50	65	3 250	
							<u>20</u>	72	1 440	
							<del>70</del>	,_	4 690	2
					\$	\$	\$			
	Sales		140	\$	82	11 480	•			
			190		85	16 150				
			200		90	18 000	45 <del>6</del> 30			
	Less Cost	of Sa	les				<b>~ * *</b>			
	Purchases	;		40 940						
	les C/Stoc	k		4 690			36 250			1
	Profit						9 380			1 (4)

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Page 4 of 6	Mark Scheme	Syllabus	Paper
	AS and A Level Examinations - June 2002	9706	2

(c)	AVCO Date	In			O. 4	Balansa			
	Date	`'' Q	P	V// <b>d</b> N	Out	Balance	_	1.7760	
	laguani	280	65	V(\$)	Q	Q	P	V(\$)	
	January	200	03	18 200		280	65	18 200	
	February				140	140	65	9 100	
	March	100	69	6 900		<u>100</u>	69	6 900	
						240	67	16 000	
	April				190	50	67	3 334	
	May	220	72	15 840		220		15 840	
	•					270		19 174	2
	June				200	70	71	4 971	1
			\$	\$	\$	\$			
	Sales	140	•	82	11 480	•			
		190		85	16 150				
		200		90	18 000	45 630			
	Less Cost			- •	<del></del>				
	Purchases		40 940						
	les C/Stock	ς .	<u>4 971</u>			35 969			1
	Profit					9 661			1
				\$	\$				(5)
(d)	Sales (origi	inal)	29 000	10	290 000				
` '	Expenses (	•			87 000				
	Profit (origi				29 000				
	Old net pro	-			10.00%	1			
	,					·			
	Sales (new	•	31 175	9	280 575				
	O/stock	26 000	1	1	10F				
	Purch	<u>170 000</u>							
	0/	196 000							
	C/stock	<u>21 000</u>			<u>175 000</u>	1			
	Gross Profi	ι			105 575	_			
	Expenses New Net Pr	nfit			84 825	1	_		
	New Net Pr				20 750 7.40%		of of		(8)
									(0)
(e)	not sufficier	ced the selling It to allow for	ig price to s an increase	uch an ext	ent that inc	creased sal	es volume w	as	
	The lower e	xpenses wer	e not suffici	ent to briss	orvier, Orthe net n	rafit back to	ite province	laval	
	Etc		- riot odinor	on to bring			its previous		(2)
						po. ou		MAIIIMIII	(3)
<b>(f)</b>	Altering me Total expen	thods of depr ses, and ther	eciation giv	es a false s. can easi	compariso	n from one	year to the r	next.	

Total expenses, and therefore profits, can easily be "massaged".

True and fair view.

One per statement to maximum

(3)

Consistency.

Etc

Net book value of assets becomes meaningless.

Page 5 of 6	Mark Scheme	Syllabus	Paper
	AS and A Level Examinations - June 2002	9706	2

3	DATA

J	DATA					
	Machine		x	Y		
	Hourly rate of production		160	250		
	Material cost per unit		\$5.00	\$4.60		
	Hourly labour rate		\$10	\$10		
	Number of operatives		4	5		
	Fixed costs per order		\$200	\$500		
	Variable unit costs		\$2.40	\$2.60		
(a)	ORDER FOR	800	\$	\$		
	Labour cost		200	160	2	
	Material cost		4000	3680	2	
	Variable costs		1920	2080	2 2	
	Fixed costs		200	500	2	
	Total costs		6320	6420		
	Machine X costs least, or O	F.			1	(9)
(b)	ORDER FOR	1000				
	Labour cost		250	200	2	
	Material cost		5000	4600	2	
	Variable costs		2400	2600	2	
	Fixed costs		200	500	_	
	Total costs		7850	7900		
	Machine X costs least, or Of	<b>=</b> ,			1	(7)
(c)		Machine X				
		\$				
	Total variable costs	6120			1	
	Total costs	6320			1	
	Sales = 125% of total costs	7900			1	
	Contribution = Sales - VC	1780			1	
		Machine Y \$				
	Total variable costs	5920			1	
	Total costs	6420			1	
	Sales = 125% of total costs	8025			1	
	Contribution = Sales - VC	2105			1	
(d)	Rights issue					(8)
	, tractice record					

## (d) Rights issue

Saves on expense of a full public share issue.

A D May bring in less cash than a full public share issue.

etc.

Page 6 of 6	Mark Scheme	Syllabus	Paper
	AS and A Level Examinations - June 2002	9706	2

### Issues of shares to the public

A May be sold at a premium and bring in large cash fund.

D Costs a great deal of money and no guarantee that all will be sold.

etc.

### issue of debentures

A No control given to debenture holders.

D Interest must be paid even if business is making a loss.

etc.

One advantage and one disadvantage for each to maximum

(6)