

CAMBRIDGE INTERNATIONAL EXAMINATIONS GCE Advanced Subsidiary Level

MARK SCHEME FOR the November 2001 question papers

8706 ACCOUNTING

8706/1

Paper 1 (Multiple Choice), maximum raw mark 30

8706/2

Paper 2 (Structured questions), maximum raw mark 90

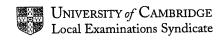
These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking 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 November 2001 question papers for most IGCSE and GCE Advanced Subsidiary (AS) Level syllabuses.



i visi



NOVEMBER 2001

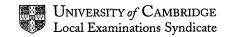
ADVANCED SUBSIDIARY LEVEL

MARK SCHEME

MAXIMUM MARK: 30

SYLLABUS/COMPONENT: 8706/1

ACCOUNTING (MULTIPLE CHOICE)



Page 1 of 1	Mark Scheme	Syllabus	Paper
	AS Level Examinations – November 2001	8706	1

Item	Correct Answer	Item	Correct Answer
1	D	16	D
2	С	17	В
3	С	18	D
4	В	19	В
5	A	20	Α
6	В	21	A
7	C	22	Α
8	A	23	D
9	A	24	В
10	В	25	D
11	C	26	В
12	В	27	D
13	D	28	D
14	A	29	Α
15	С	30	C



NOVEMBER 2001

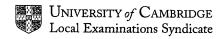
ADVANCED SUBSIDIARY LEVEL

MARK SCHEME

MAXIMUM MARK: 90

SYLLABUS/COMPONENT: 8706/2

ACCOUNTING (STRUCTURED QUESTIONS)



Page 1 of 4	Mark Scheme	Syllabus	Paper
	AS Level Examinations – November 2001	8706	2

Note: 'OF' – This means the 'own figure' rule applies. A candidate may not be penalised twice for the same error. The candidate is, of course, penalised where the error is made, but any later answers which are wrong purely in consequence of that error are eligible for full marks if the calculation is based on the candidate's own earlier wrong figure.

'CF' = correct figure. Only the correct figure as given in the mark scheme is acceptable.

1	(a)	Minimise	possibility	of fraud
---	-----	----------	-------------	----------

Make fraud easier to find

Minimise time taken to find errors

Make errors easier to find; only need check section which is wrong

Figures for total debtors and creditors easily available

Security - control accounts not handled by sales/purchases ledger clerk

etc Maximum 2 marks per point to maximum

(1 for statement, 1 for development)

(6)

(5)

(5)

(2)

(b) Purchases Ledger Control account

	Dr	Cr	Balance	
	\$	\$	\$	
Balance at 1/5/2000		43,120	43,120	1
Credit purchases for year		824,140	867,260	1
Credit purchases returns	12,400		854,860	1
Payment to creditors	745,980		108,880	1
Discount received	31,400		77,480	1
Cr bals to sales ledger a/cs	5,210		72,270	1+1
				(7)

(c) (i) Amended Purchases Ledger Control account

Balance at 1/5/2000			43,120	43,120	
Credit purchases for year	(+2040)		826,180	869,300	1
Credit purchases returns		12,400		856,900	
Payment to creditors	(+1450)	747,430		109,470	1
Discount received	(-1000)	30,400		79,070	1
Cr bals to S L accounts	(+850)	6,060		73,010	1+1

(c) (ii) Proof

Purcha	ses ledger total	67,660	1
add	Balance omitted	3,210	1
Invoice omitted Balance understated	2,040	1	
	Balance understated	100	1
		73,010	1

(d) Prudence - a loss should be provided for as soon as it is anticipated but profit should not be assumed until it is actually made

Pag	e 2 of 4		Mark Sche	me		Syllabus	Paper			
			IGCSE Examinations –	November 20	01	8706	2			
	(e) (i)	Good	dwill - accept reference to							
	(6) (1)	0000	difficulty in determining wh	nat it is						
			difficulty in quantifying it	iat it io						
			can't determine future val	ue						
			only recognised on sale o							
	purchased Goodwill shown in accounts									
	non-purchased Goodwill not shown in accounts									
			•	relevant three		maximum	(3)			
			an,	, rolevant times	pointo to a	тахітат	(0)			
	(e) (ii)	Stoc	k-in-trade - accept reference to							
	(0) (11)	0.00	valuation usually at lower	of cost or real	isable value	.				
			replacement cost ignored							
			future sales values ignore		v cost					
				ny relevant thr		maximum	(3)			
			_	,	00 poi0 10	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(-)			
2	(a)	Accı	umulated fund at start	\$						
	(/	Fees	s due	600						
		Stoc		500						
		Ban	k	8400						
			h float	50						
			osit a/c	15000	24550		1			
		-	ditors	1450						
			paid subs	480	1930		1			
		p. 0p	-		22620		1 OF			
							(3)			
							(-)			
	(b)		Shop Tradi	ng account						
	(~)		2.104	\$	\$	\$				
		Sale	es	·	,	7168	1			
			difference in float			20				
						7188				
		Ope	ening Stock		500		1			
		•	chases	3745						
			opening creditors	1450			1			
				2295						
		add	closing creditors	1260	3555		1			
		Juu			4055		•			
		less	closing stock		850		1			
		1000	. 0.001119 0.001	**************************************	3205		•			
		Wa	240		4000	7205	1			
		vva	you		7000	1200	1			

Loss on shop

Mark Scheme

Syllabus

-17

(6)

Paper

Page 2 of 4

Page 3 of 4	Mark Scheme	Syllabus	Paper
	AS Level Examinations – November 2001	8706	2

(0)				Subscriptions associati			
(c)	Balance	b/d	1	Subscriptions account 600 Balance	ι b/d	480	4
			•		b/u		1
	I & E acco		1	6000 Bank		6435	1
	Balance	c/d	1 OF	315			
				6915		6915	
				Balance	b/d	315	
							(5)
(d)				Income & Expenditu	ire Account	\$	
	INCOME						
	Subscripti	ons				6000	1
	Cash at de	oor				3500	1
	Grant					10000	2
	Donations					600	1
	Interest or	n depo	sit a/c			800	1
						20900	
	EXPENDI	TURE					
	Loss on d	ance			90		2
	Loss on s	hop			17		1 OF
	General e	xpens	es		1565		2
	Depreciat				400		2
	Rent				8000	10072	1
	SURPLUS	3				10828	1+1 OF
							(16)

3 (a) Fixed costs are assumed to remain fixed regardless of circumstances

BUT As factory expands, rent may increase. Etc

Variable costs are assumed to be in direct proportion to volume of production

BUT Overtime means higher labour rates. Etc

Selling price is assumed to remain constant

BUT New competition may mean price has to be lowered

It is assumed that all production will be sold

BUT Few businesses have no opening or closing stock

It is assumed that sales mix will remain unchanged

BUT Mix may change, and even though unit sales targets are reached,

profits will depend on predominance of high or low margins on goods sold

Costs are assumed to remain constant

BUT Strikes, inflation, competition may change them

Costs mix is assumed to remain constant

BUT As business moves from Labour to Capital intensive, this ratio may change.

All reasonable/reasoned answers acceptable to max 10 marks (1 per assumption, 1 per limitation)

(10)

Page 4 of 4	Mark Scheme	Syllabus	Paper
	IGCSE Examinations – November 2001	8706	2

(b) (i)	Sales - 7500 @ \$10 Direct Materials - 7500 @ \$5.30 Direct Labour - 7500 @ \$2 Var. Overheads - 7500 @ \$0.9 CONTRIBUTION Fixed Costs - 10000 @ \$0.75 Net Profit	39750 15000 6750	75000 61500 13500 7500 6000 ====	1 OF 1 1 (3)
(b) (ii)	Sales - \$9000 @ \$10 Direct Material - 9000 @ \$5.30 Direct Labour - 9000 @ \$2 Var Overheads - 8000 @ \$0.9 - 1000 @ \$0.85 CONTRIBUTION Fixed Costs Net Profit	47700 18000 7200 <u>850</u>	90000 <u>73750</u> 16250 <u>7500</u> 8750 ====	1 1 1 OF 1 (4)
(c)	Break-even = FC/c = 7500/1.8 Should be whole number, so =		4166.6667 units 4167 units	3 1 (4)
(d)	Sales - 10000 @ \$9 Direct Material - 10000 @ \$5.30 Direct Labour - 10000 @ \$2 Var O'heads - 8000 @ \$0.9 - 2000 @ \$.85 CONTRIBUTION Fixed Costs Net Profit	53000 20000 7200 <u>1700</u>	90000 81900 8100 7500 600 ===	1 1 1 (4)
(e)	Lower price means beating competitors Also means fuller employment for worke But if lowered too much affects profits Unless other savings can be effected Which might mean lowering wages Etc	ers		(4)