UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

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 must be read in conjunction with the question papers and the report on the examination.

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Cambridge is publishing the mark schemes for the October/November 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

1 (a)

Carl and Daniel

Income Statement (Trading and Profit and Loss Account) and Appropriation account

For the year ended 31 December 2010

	$	$	$
Revenue (sales) (–317 **(1)** + 44 049 **(1)** + 183 **(1)** + 332 467 **(1)**)			376 382
Opening Inventory	14 003 **(1)**		
Ordinary goods purchased (Purchases)	196 202		
(–4 872 **(1)** + 195 911 **(1)** + 5 163 **(1)**)		210 205	
Less Closing Inventory		13 471 **(1)**	
Cost of Sales			196 734
Gross Profit			179 648
Rent received (7 000 – 500 – 500)			6 000 **(2)**
			185 648
Less Expenses			
Wages (63 156 – 612 + 938)		63 482 **(2)**	
General expenses		56 676 **(1)**	
Depreciation of motor vehicle		8 000 **(2)**	
Depreciation of machinery		10 000 **(1)**	
Loss on disposal		800 **(2)**	
			138 958
Profit for the year (Net profit)			46 690
Interest on Drawings			330
			47 020
Salary – Daniel		3000 **(1)**	
Interest on capital – Carl		6 000 **(1)**	
Interest on capital – Daniel		4 200 **(1)**	
			13 200
			33 820
Share of profits – Carl		20 292	
Share of profits – Daniel		13 528	
			33 820

[22]

(b)

Current Accounts

	Carl	Daniel			Carl	Daniel	
	$	$			$	$	
Drawings	35 660	26 480	**(1 for both)**	Balances b/d	3 210	1 304	**(1 for both)**
Int on Drawings	230	100	**(1 for both)**	Interest on capital	6 000	4 200	**(1 for both)**
Balance c/d				Salaries		3 000	**(1)**
				Share of Profit	20 292	13 528	**(1of for both)**
				Balances c/d	6 388	4 548	**(1of for both)**
	35 890	26 580			35 890	26 580	
Balances b/d	6 388	4 548	**(1 for both)**				

[8]

[Total 30]

2(A)

(a) (i)

Motor vehicle account

	$			$	
Balance b/d	371 000	**(1)**	Disposal	9 200	**(1)**
Bank	15 000	**(1)**	Balance c/d	376 800	**(1of)**
	386 000			386 000	
Balance b/d	376 800				

[4]

(ii)

Provision for depreciation account – motor vehicles

	$			$	
Disposal	8 280	**(1)**	Balance b/d	130 000	**(1)**
Balance c/d	197 250	**(1of)**	Profit and Loss	75 530	**(1)**
	205 530			205 530	
			Balance b/d	197 250	

[4]

(iii)

Motor vehicle disposal account

	$			$	
Motor vehicle	9 200	**(1)**	Provision for Depreciation	8 280	**(1of)**
			Bank	500	**(1)**
			Profit and Loss	420	**(1of)**
	9 200			9 200	

[4]

(b)

Balance Sheet Extract

Non-current Assets	Cost		Depr		NBV
	$		$		$
Motor vehicles	376 800	**(1of)**	197 250	**(1of)**	179 550

[2]

(c) Depreciation is a bookkeeping entry. Debit profit and loss. Credit provision for depreciation. It is **not** a movement **of cash** from the business.
Depreciation is an application of the **matching/accruals** concept. Depreciation is matched with the benefit which the asset provides over each accounting period.
The provision for depreciation annually is intended to spread the cost over the useful life of the asset. This is in accordance with the **accruals/prudence** concept.
(2 × 3 marks – 1 mark for each point plus 2 for development) [6]

2(B)
(a)

Hamilton Social Club
Balance Sheet as at 31 March 2011

Non-Current (Fixed) Assets	$	$	$
Equipment			9 360
			9 360 **(1)**
Current Assets			
Café inventory (stock)		3 860 **(1)**	
Inventory (stock) of stationery		85 **(1)**	
Subscriptions		340 **(1)**	
Bank		120 **(1)**	
		4 405	
Current Liabilities			
Trade Payables (creditors)	880 **(1)**		
Loan interest	250 **(1)**		
		1 130	
Working Capital			3 275
Total Assets less current liabilities			12 635
Non-Current (long term) Liabilities			
Loan		5 000 **(1)**	
			5 000
			7 635
Financed by			
Accumulated fund			9 380 **(1)**
Deficit for the year			1 745 **(1of)**
			7 635

[10]

[Total 30]

3 (a) (i)

	2008			2009			2010		
Sales		480 000	**(1)**		572 000	**(1)**		736 000	**(1)**
Opening inventory (stock)	0			81,000			60 000		
Variable Costs	405 000		**(1)**	360,000		**(1)**	512 000		**(1)**
	405 000			441,000			572 000		
Closing inventory (stock)	81 000		**(1)**	60,000		**(1)**	64 000		**(1)**
		324 000			381 000			508 000	
Contribution		156 000			191 000			228 000	
Fixed Costs		60 000	**(1)**		66 000	**(1)**		70 000	**(1)**
Gross Profit		**96 000**	**(1)**		**125 000**	**(1)**		**158 000**	**(1)**

[15]

(ii)

	2008				2009				2010			
Sales			480 000				572 000				736 000	
Opening inventory	0				93 000				71 000			
Variable Costs	405 000				360 000				512 000			
Fixed Costs	60 000				66 000				70 000			
		465 000		**(1)**		519 000		**(1)**		653 000		**(1)**
Closing inventory		93 000		**(1)**		71 000		**(1)**		72 750		**(1)**
			372 000				448 000				580 250	
Gross Profit			**108 000**	**(1)**			**124 000**	**(1)**			**155 750**	**(1)**

[9]

(b) Reconciliation Statement

	2008			2009			2010		
Profit per marginal costing		96 000			125 000			158 000	
Add fixed costs in closing inventory									
Less inventory as per marginal costing	81 000			60 000			64 000		
Add inventory as per absorption costing	93 000	12 000	**(1)**	71 000	11 000	**(1)**	72 750	8 750	**(1)**
		108 000			136 000			166 750	
Less fixed cost in opening inventory									
Add inventory as per marginal costing	–			81 000			60 000		
Less inventory as per absorption costing	–	–	**(1)**	93 000	12 000	**(1)**	71 000	11 000	**(1)**
Profit as per absorption costing		108 000			124 000			155 750	

[6]

[Total: 30]