MARK SCHEME for the May/June 2014 series

9706 ACCOUNTING

9706/22

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 2014 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.



Page 2		Mark Scheme					Syllabus		Paper				
				GCE	AS/A L	_EVEL –	May/J	une 201	4	97	706	22	2
1	(a)				S	ales ledg \$	er con	trol acco	ount			\$	
		1 Jan		Balan	ce b/d	33000		1 Jan-	-31 Dec	Bank Discour Returns Bad del	nt allowe s inwards bts	1666 d 86 s 42 22	60 (1) 00 (1) 00 (1) 00 (1)
		1 Jan–31	l Dec	Sales		<u>169492</u> 202492	(1of)	31 Deo	C	Balance	e c/d	<u>208</u> 2024	<u>32</u> 92
		2014 1 Jan		Balan	ce b/d	20832	(1)						[6]
	(b)				Pure	chases le \$	edger c	ontrol ad	count			\$	
		1 Jan– 31 Dec		Bank Disco	unt rec	155 690 8 200	(1) (1)	1 Jan		Balance	e b/d	18200	
				Returr Balan	ns out ce c/d	4500 <u>14930</u> <u>183320</u>	(1)	1 Jan-	-31 Dec	Purcha	ses	<u>165 120</u> 183 320	(1of)
								2014 1 Jan		Balance	e b/d	14930	(1of) [5]
	(c)					Exne	nses a	ccount					
	(-)				\$					9	5		
		1 Jan	Bank		26 100 26 100	(1)	1 Jan 31 Dec	Balanc Incom Balanc	ce b/d e statem ce c/d	56 ent 187 <u>17</u> <u>261</u>	600 (1) 780 (1) 720 00		
		2014 1 Jan	Baland	ce b/d	1720	(1)							[4]
	(d)	Ch	arles A	Altas's I	ncome	Stateme	nt for tl	he year e	ended 31	Decem	ber 2013	} ¢	
		Revenue less sale	e (1694 s retur	192 (1o ms	of) + 30	000 (1) +	29000) (1))		φ		228 492 <u>4 200</u> 224 292	2 <u>0</u> (1) 2
		less cost Inve	ntory a	es at 1 Jan	nuary 20)13		165 120	(1of)	29600	(1)		
		less	return	S				4 500	(1)	<u>160620</u> 190220			
		Inve Gross pr add Disc	ntory a ofit ount re	at 31 De	ecembe I	er 2013				35200	(1)	<u>15502</u> 6927 <u>820</u> 7747	0 2 0 (1)
		Less Dis Exp Wa	scount penses ages	allowed	d			8600 18780 10000	(1) (1of) (1)			,, ,,,	-
		Ba De Profit for	u debts preciat the ye	s tion (60 ear) + 20 –	- 74)		2200 <u>6000</u>	(1) (2)			<u>45 58</u> 31 892 [Tot	<u>0</u> 2 [15] :al: 30]

	Page 3		Mark Scheme	S	Syllabus		Paper		
			GCE AS/A LEVEL – May/June 2014		9706		22		
2	(a)			Dr \$		Cr \$			
	(i)	Equi	pment Arcadia Limited	14 000	(1)	14000	(1)	[2]	
	(ii)	Inco	me Statement (1) Provision for depreciation – Fittings & Fixtures (1)	51200	(1)	51200	(1)	[4]	
	(iii)	Inco	me Statement (1) Provision for depreciation – Equipment (1)	6100	(1)	6100	(1)	[4]	
	(iv)	Disp	osals Equipment	8000	(1)	8000	(1)		
		Ban	k Disposals	6000	(1)	6000	(1)		
		Prov	rision for depreciation – Equipment Disposal	2600	(1)	2600	(1)		
		Disp	Income Statement	000	(1)	600	(1)	[8]	
	(b) (i)	It is	used to record the double entry (1) of non-routine tra	ansacti	ons (1)			[2]	
	(ii)	Awa corre	ale of nor	n-current	t ass	sets,			
		bad (ma :	debt provision, depreciation, transfers etc. ximum 2 marks)					[2]	

- (c) (i) Award 1 mark (max) for a correct example; prudence, matching or consistency [1]
 - (ii) Straight line depreciation is easy to calculate (1) and therefore there is less chance of errors (1) whereas reducing (diminishing) balance depreciation is more complex.

Reducing (diminishing) balance depreciation is appropriate for assets that have a heavier fall in value in earlier years (1) and is therefore appropriate for equipment (1). Reducing (diminishing) balance depreciation has a higher depreciation charge in earlier years (1) which more accurately reflects the profit (1) – prudence (1) and matches costs to revenues (1) – matching / accruals (1). Straight-line depreciation is an equal charge each year (1)

As equipment gets older maintenance costs increase (1) and with reducing (diminishing) balance method depreciation will decrease (1) therefore ensuring a more even charge (1) over the life of the asset.

(Maximum 7 marks)

[7]

[Total: 30]

Page 4		ge 4	Mar	Syllabus	Paper			
			GCE AS/A LEVEL – May/June 2014			9706	22	
3 (;	a)	\$ Direct m Direct lal Variable Marginal Marginal	aterials bour production overhead I cost of 15000 units I cost of 1 unit = \$20250	90 000 67 500 <u>45 000</u> 202 500 00 / 15 000 =	(1) (1) (1) = \$13.50 (1))		
		Alternativ	ve answer					
		Direct m Direct lal Variable Marginal	aterials bour production overhead l cost	6.00 4.50 <u>3.00</u> 13.50	(1) (1) (1) (1)			[4]
(1	b)	Direct m Direct lal Variable Fixed pro Absorptio	aterials bour production overhead oduction overhead on cost of 15000 units	\$ 90 000 67 500 45 000 <u>60 000</u> <u>262 500</u>	(1) (1) (1) (1)			
		Absorpti	on cost of 1 unit = \$262	500 / 15000) = \$17.50	(1)		
		Alternativ	ve answer					
		Direct m Direct lal Variable Fixed pro Marginal	aterials bour production overhead oduction overhead I cost	6.00 4.50 <u>3.00</u> <u>4.00</u> 13.50	(1) (1) (1) (1) (1)			[5]
				<u></u>	(-)			[•]
(4	c)	Revenue Variable Contribu Fixed pro Other fix Profit	e – 13000 × \$26 cost of sales – 13000 × ition oduction overhead ed overheads	\$13.50	\$ 338000 ((<u>175500</u>) (162500 ((60000) ((<u>25000</u>) (<u>77500</u> (1) 1of) 1of) 1) 1) 1of)		[6]
(4	d)	Revenue Cost of s Gross pr Other fix Profit	e – 13000 × \$26 sales – 13000 × £17.50 rofit red overheads		\$ 338 000 ((<u>227 500</u>) (110 500 ((<u>25 000</u>) (<u>85 500</u> (1) 1of) 1of) 1) 1of)		[5]

Page 5	Mark Scheme		Syllabus	Paper
	GCE AS/A LEVEL – May/.	June 2014	9706	22
(e)		\$		
Margina	l cost profit	77 500		
Inventor	y (1) – 2000 units @ \$4 per unit (1)	8000		
Absorpti	on cost profit	<u>85500</u>		[2]

(f) In the marginal cost statement, inventory is valued at variable cost (1) resulting in a higher cost of sales (1) and fixed costs are treated as a period cost (1).
In the absorption cost statement, the inventory value includes an element of fixed overhead (1) resulting in a lower cost of sales (1). Some of the fixed overheads are carried forward to the next accounting period (1).

(Maximum 4 marks)

(g) The marginal cost of producing one unit of Esprit will reduce (1) resulting in an increase in contribution (1). The profit for the year will stay the same (1) because fixed production overheads will increase (1).

[Total: 30]

[4]