

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International Advanced Subsidiary and Advanced Level

**MARK SCHEME for the October/November 2015 series**

**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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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1 (a)

Anton

Income Statement for the year ended 30 September 2015

	\$	\$
Revenue (10 500 (1) + 153 300 + 9670 (1) + 20 476 (1))		172 946
Less cost of sales		
Inventory at 1 October 2014	24 640	
Purchases		
Less goods for own use (119 690 (1) – 1842 (1))	<u>117 848</u>	
	142 488	
Less Inventory 30 September 2015	<u>(27 200) (1)</u>	<u>115 288</u>
Gross Profit		57 658 (1of)
Less expenses		
Rent (8500 + 2400 – 1500)	9 400 (1) both adj	
Wages	17 800	
Electricity	7 540	
General expenses	4 630	
Depreciation		
– delivery vehicles (20 300 (1) – 1360 (1)) × 20%	3 788 (1of)	
– office fixtures	900	
Delivery vehicle expenses		
(980 + 20 476 (1) – 12 900 – 7200 (1both) – 445)	911 (1)	
Loss on delivery vehicle (9000 – 1800 – 1440(1) – 5400)	<u>360 (1)</u>	<u>45 329</u>
Profit for the year		<u>12 329</u>

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**(b)**

Anton  
Statement of Financial Position at 30 September 2015

	\$ Cost	\$ Acc Dep	\$ NBV	
<b>Non-current assets</b>				
Office fixtures	9 500	900	8 600	<b>(1)</b>
Delivery vehicles	<u>20 300</u>	<u>5 148</u>	<u>15 152</u>	<b>(1)</b>
	<u>29 800</u>	<u>6 048</u>	<u>23 752</u>	
<b>Current assets</b>				
Inventory			27 200	<b>(1of)</b>
Trade receivables			9 670	
Cash			<u>445</u>	
			<u>37 315</u>	
<b>Total assets</b>			<u>61 067</u>	
<b>Capital and liabilities</b>				
Opening capital			40 150	<b>(1)</b>
Add: Profit for the year			<u>12 329</u>	
			52 479	
Less: Drawings: goods			(1 842)	<b>(1 of both)</b>
cash			<u>(7 200)</u>	
			<u>43 437</u>	
<b>Current liabilities</b>				
Trade payables			13 460	
Other payables			2 400	
Bank			<u>(1 770)</u>	<b>(2)</b>
			<u>17 630</u>	
<b>Total capital and liabilities</b>			<u>61 067</u>	

**Workings**

Opening capital:  $9500 + 15\,700 + 10\,500 + 980 + 24\,640 = 61\,320$

Less  $12\,670 + 1500 + 2\,400 + 4\,600 = 21\,170 = 40\,150$

Closing inventory  $40\,800 / 3 \times 2 = 27\,200$

Delivery vehicles  $15\,700 - 9000 + 13\,600 = 20\,300$  cost

**[8]**

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(c)  $\$9670 \text{ less } 750 = 8920 \times 4\% = 356.80$  (1)  
Profit reduced (1) by  $750 + 356.80 = 1106.80$  (1) [3]

(d) To avoid overstating trade receivables (1)  
To avoid overstating profit for the year (1)  
To apply the prudence concept (1)  
To apply the matching concept (1)  
To reflect the true and fair view (1) [Max 3 marks] [3]

[Total: 30]

2 (a) Income statement for the year ended 31 January 2015

	\$	\$
Revenue		163 400
Add rent received (10400 / 13 × 12)		<u>9 600</u>
		173 000 (2)
LESS		
Insurance (13260 – 6400)	6 860 (1)	
Wages (6500 + 8500)	15 000 (1)	
Rates	9 500	
Provision for doubtful debts (174 to 234)	60 (2)	
Office expenses (28200 – 470)	27 730 (1)	
Depreciation:		
Fixtures and fittings	750 (1)	
Motor vehicles	5 000 (1)	
Computer equipment	<u>1 300 (1)</u>	<u>66 200</u>
Profit for the year		<u>106 800 (1of)</u>

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(b) Current account – Tania

	\$		\$
Int on drawings	350 (1)	Balance	5 000 (1)
Drawings	5 000 (1)	Int on capital	4 900 (1)
Balance c/d	71 068	Salary	17 400 (1)
		Profit share	<u>49 218 (1of)</u>
	<u>76 418</u>		<u>76 418</u>
		Balance b/d	71 068 (1)

[7]

- (c) Depletion, wear and tear, obsolescence, technological advance, usage, time, any other acceptable answer **(1 mark per point)**

**Any 4 to a maximum of 4** [4]

- (d) Matching – to match costs with income generated.  
Prudence – so as not to overstate profits.  
Consistency – using the same depreciation method.

**Any 2 to a maximum of 4** [1 concept, 1 explanation] [4]

- (e) Motor vehicles tend to fall in value more in the early years. **(1)** They lose value the minute they are registered for use. Repair and maintenance costs increase as the motor vehicle gets older **(1)**. The straight line method of depreciation depreciates the vehicle at the same amount each year which does not balance up the increasing repair and maintenance costs in later years. **(1)** However, the reducing balance method depreciates the motor vehicle more in the earlier years and less in later years. The reducing balance method therefore depreciates the asset less in later years which balances with the increasing repair and maintenance costs thus providing a fairer matching of costs with income generated **(1)**.

**1 mark to a maximum of 4** [4]

[Total: 30]

3 (a)

	Mynor	Hanbridge
	\$	\$
Direct materials	9 600 (1)	9 000 (1)
Direct labour	<u>28 800</u> (1)	<u>27 000</u> (1)
Total	<u>38 400</u>	<u>36 000</u>

[4]

(b)

	Total	Mynor	Hanbridge	Sales and administration
	\$	\$	\$	\$
Supervisor's salary	5 900	3 200	2 700	0 (1) row
Rent	12 500	6 250	5 000	1 250 (1) row
Power	6 000	2 400	3 000	600 (1) row
Depreciation	1 000	450	400	150 (1) row
Sales and administration	13 550	0	0	13 550 (1) row
Total	38 950	12 300 (1of)	11 100 (1of)	

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(c)

	Mynor	Hanbridge
	\$	\$
Value per unit	$(38\,400 + 12\,300) = 50\,700$ (1) $50\,700 \div 800 = \$63.38$ (1of)	$(36\,000 + 11\,100) = 47\,100$ (1) $47\,100 \div 600 = \$78.5$ (1of)
Number of units in inventory	100	200 (1of) both
Total value of inventory	\$6 338	\$15 700 (1of) both

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(d)

Tellwright Limited  
Manufacturing Account for the three months ended 31 March 2015

	\$
Raw materials (9600 + 9000)	18 600 (1of)
Direct labour (28 800 + 27 000)	<u>55 800</u> (1of)
Prime cost	74 400 (1of)
Overheads 12 300 (1of) + 11 100 (1of)	<u>23 400</u>
Cost of production	<u>97 800</u> (1of)

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(e)

Tellwright Limited  
Income Statement for the three months ended 31 March 2015

	\$	\$	
Revenue			
700 × 90		63 000	(1)
400 × 120		<u>48 000</u>	(1)
		111 000	
Cost of production	97 800		(1of)
Closing inventory (6 338 + 15 700)	<u>22 038</u>		(1of)
Cost of sales		<u>75 762</u>	
Gross profit		35 238	(1of)
Sales and administration costs		<u>15 550</u>	(1of)
Profit for the period		<u>19 688</u>	(1of)

[7]

[Total: 30]