

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
GCE Advanced Subsidiary Level and GCE Advanced Level

## **MARK SCHEME for the October/November 2012 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.

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**1 (a) Statement of opening capital**

	\$
Assets	
Premises	100 000
Equipment	24 000
Inventory	16 800
Bank	8 000
Trade receivables	26 800
Prepayments	<u>1 200</u>
	176 800
Less liabilities	
Trade payables	<u>21 200</u>
Capital at 1 May 2011	<u>155 600</u>

**Award 1 mark for every pair, including the capital, where seen** [4]

**(b) Sharon Woo Income Statement for the year ended 30 April 2012**

	\$	\$	
Revenue (sales)			
Cash (260 000 + 18 000)		278 000	2
Credit (40 000 + 24 800 – 26 800 + 7 200)		<u>45 200</u>	4
		323 200	
Cost of sales			
Inventory (1 June 2011)	16 800		
Purchases (216 000 + 22 400 – 21 200 + 10 800)			
	<u>228 000</u>		4
	244 800		
Inventory (30 April 2012)	<u>20 800</u>	224 000	
Gross profit		99 200	
Add discount received		<u>10 800</u>	1
		110 000	
LESS			
Discount allowed	7 200		1
Wages (22 000 + 12 000)	34 000		1
Rent (10 000 + 1 200 – 1 600)	9 600		1
Depreciation (24 000 + 20 000 – (4 800 + 400) – 36 400)	2 400		5
Loss on sale	<u>400</u>	<u>53 600</u>	
Net profit		<u>56 400</u>	[20]

**(c) 1 of 1 of 1 of**  
 ROCE = 56 400/155 600 = 36.25% [3]

- (d)**
- Allows investor to make decisions between alternatives
  - Allows comparison with similar businesses
  - Allows comparison with less risky investments, e.g. Bank

**One mark per relevant point to maximum of 3** [3]

**[Total: 30]**

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**2 (a) Amina and Nizam**  
Appropriation account for the year ended 31 December 2011

	\$	\$	\$	
Profit for the year			120 000	
<b>Add</b> Charged for interest on drawings:				
Amina		1 300		1
Nizam		<u>1 750</u>	3 050	
			<u>123 050</u>	
<b>Less</b> Salary: Amina		24 450		1
<b>Less</b> Interest on capital:				
Amina	6 000			1
Nizam	<u>9 600</u>	<u>15 600</u>	<u>40 050</u>	
			<u>83 000</u>	
Balance of profits shared:				
Amina		31 125		1
Nizam		51 875	83 000	[6]

**(b) Current Account**

	Amina	Nizam		Amina	Nizam
	\$	\$		\$	\$
Balance b/d	8 400	3 200	Interest on capital	6 000	9 600
Drawings	26 000	35 000	Salaries	24 450	1
Interest on Drawings	1 300	1 750	Share of Profit	31 125	51 875
Balance c/d	<u>25 875</u>	<u>21 525</u>			
	<u>61 575</u>	<u>61 475</u>	<b>1 of</b>	<u>61 575</u>	<u>61 475</u>

**(c) Capital Account**

	Amina	Nizam	Sarah		Amina	Nizam	Sarah
	\$	\$	\$		\$	\$	\$
Goodwill	12 000	20 000	8 000	<b>1</b> Balance b/d	160 000	240 000	1
				Cash			70 000
				Inventory			30 000
				Motor vehicle			20 000
Balance c/d	<u>163 000</u>	<u>245 000</u>	<u>112 000</u>	Goodwill	<u>15 000</u>	<u>25 000</u>	1
	<u>175 000</u>	<u>265 000</u>	<u>120 000</u>		<u>175 000</u>	<u>265 000</u>	<u>120 000</u>

**(d)**

1 Sales		18 200	1	
Suspense				18 200
2 Suspense		9 600	1	
Discounts allowed				9 600
Suspense		9 600	1	
Discounts received				9 600
3 Bank		9 400	1	
Suspense				9 400

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<b>(e) Suspense Account</b>			
Balance B/F	8 400	Sales	18 200 1
Discounts allowed	9 600 1	Bank	9 400 1
Discounts received	<u>9 600 1</u>		
	<u>27 600</u>		<u>27 600</u>

All OF from **(d)** [4]

**[Total: 30]**

<b>3 (a)</b>	Aloe	Hazel	Peach	
Sales (litres)	<u>120 000</u>	<u>39 000</u>	<u>60 000</u>	
Divided by per hour	8 litres	4 litres	5 litres	
Hours	15 000	9 750	12 000	
Total hours (15 000 + 9 750 + 12 000) =	36 750 hours			<b>2 or 0</b> [2]

**(b) Profit Statement**

	Aloe	Hazel	Peach	
Sales (litres)	120 000	39 000	60 000	
	\$	\$	\$	
Sales income	960 000	546 000	600 000	
Less				
Direct materials	(324 000)	(304 200)	(321 600) 1	
Variable OH	(216 000)	(85 800)	(60 000) 1	
Direct labour	(48 000)	(31 200)	(38 400) 3	
Total contribution	372 000	124 800	180 000	
Less Fixed costs	(195 000)	(126 750)	(156 000) 3	
Net profit/loss	<u>177 000</u>	<u>(1 950)</u>	<u>24 000</u> 3	
Total profit	\$199 050 1			[12]

<b>(c)</b>	Aloe	Hazel	Peach	
Hours	15 000	9 750	12 000 1	
Total contribution	\$372 000	\$124 800	\$180 000 1	
C per labour hour	\$24.80	\$12.80	\$15.00 1	[3]

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<b>(d)</b>	Aloe	Peach	
Sales (litres)	132 000	66 000	<b>1</b>
Sales price	\$8	\$10	
	\$	\$	
Sales income	1 056 000	660 000	
Less			
Direct materials	(356 400)	(353 760)	<b>1</b>
Variable OH	(237 600)	(66 000)	<b>1</b>
Direct labour	(52 800)	(42 240)	<b>1</b>
Fixed costs	(214 500)	(171 600)	<b>2</b>
Net profit/loss	<u>194 700</u>	<u>26 400</u>	
Total Profit	221 100		
Less fixed OH under absorbed	<u>163 900</u>		<b>2</b>
Revised profit	\$57 200		<b>1</b> [9]

- (e)** Original profit = \$199 050  
Revised profit = \$ 57 200  
Reduction in profit \$141 850

Maintain production of all 3 shampoos.

Do not halt production of Peach shampoo as fixed cost burden for other 2 products increases.

Peach is making a contribution to fixed costs.

Two marks per valid point.

[4]

**[Total: 30]**