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.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

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UNIVERSITY of CAMBRIDGE
International Examinations

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]**