UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

<div style="border:1px solid black">

9706 ACCOUNTING

9706/22   Paper 22 (Structured Questions (Core)),
maximum raw mark 90

</div>

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.

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

CIE is publishing the mark schemes for the May/June 2010 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY *of* **CAMBRIDGE**
International Examinations

1 (a) Manufacturing Account for the year ended 30 April 2010

	$000	$000	
Raw materials			
Stock at 1 May 2009		164	**1**
Purchases		2628	**1**
		2792	
Stock at 30 April 2010		202	**1**
Cost of raw materials consumed		2590	
Manufacturing wages		520	**1**
Prime cost		3110	
Factory overheads			
Factory expenses	432		**1**
Factory depreciation	700	1132	**1**
		4242	
Work in progress			
Stock at 1 May 2009	146		**1**
Stock at 30 April 2010	128	18	**1**
Factory cost of production		4260	**[8]**

(b) Income Statement (Trading and Profit and Loss Account)
for year ended 30 April 2010

	$000	$000	
Sales		5684	**1**
Stock of finished goods at 1 May 2009	292		
Cost of production	4260		
	4552		
Inventory (stock) of finished goods at 30 April 2010	252	4300	**1**
Gross profit		1384	
Reduction in provision for doubtful debts	6		**1**
Income from rent	48	54	**1**
		1438	
Depreciation	238		**1**
Bank charges	12		**1**
Bank interest	38		**1**
Office expenses	348		**1**
Salaries	222		**1**
Sales expenses	248		**1**
Bad debt written off	14	1120	**1** **[11]**
Net profit		318	

(c)

Balance Sheet at 30 April 2010

	$000 Cost	$000 Deprec	$000 NBV	
Non-current (fixed) assets				
Factory	2800	1800	1000	**2**
Office	952	618	334	**2**
	3752	2418	1334	
Current assets				
Inventories (stocks)				
Raw materials		202		
Finished goods		252		
Work in progress		128		
		582		**1**
Trade receivables	466			**1**
prov for d debts	10	456	1038	**1**
Current Liabilities				
Trade payables		426		**1**
Bank		290	716	322	**1**
			1656	
Capital at 1 May 2009			1338	**1**
Net profit			318	**1** [11]
			1656	

[Total: 30]

2 Data

Non-current (fixed) assets	Machinery	Motor Vehicles
	$000	$000
Cost 1 May 2008	4200	3200
Additions during year	1200	800
Less disposals during year	-700	-1000
Cost 30 April 2009	4700	3000
Depreciation balance at 1 May 2008	1560	840
Add charge for year	470	750
Less on disposals for year	-520	-800
Depreciation balance at 30 April 2009	1510	790

Percentage depreciation

Machinery $\dfrac{470 \times 100}{4700}$ 10%

Motor vehicles $\dfrac{750 \times 100}{3000}$ 25%

(a) (i) Disposal accounts
Machinery

		$000			$000	
Cost	**1**	400	Depn 4 years		160	**1**
			Cash		200	**1**
			Loss		40	**1of**
		400			400	

Vehicles (item 2)

Cost	**1**	400	Depn 3 years		300	**1**
Profit	**1of**	20	Part exch		120	**1**
		420			420	

Vehicles (item 3)

Cost	**1**	360	Depn 1 year		90	**1**
			Bank		210	**1**
			Loss		60	**1of**
		360			360	

[12]

DOES NOT NEED TO BE IN THE FORM OF ACCOUNTS

(ii) Non-current (fixed) asset schedule

		Machinery	Motor Vehicles	
		$000	$000	
Cost at 1 May 2010		4700	3000	
Additions during year	**1**	900	840	**1**
Less disposals during year	**1**	-400	-760	**1**
Cost at 30 April 2011		5200	3080	
Depreciation at 1 May 2010		1510	790	
Add charge for year	**1of**	520	770	**1of**
Less on disposals during year	**1of**	-160	-390	**1of**
		1870	1170	

[8]

© UCLES 2010

(b) (i) 1 Wear and tear
2 Obsolescence
3 Time
4 Depletion
No marks for methods. Any three correct for (3)   **[3]**

(ii) 1 Machinery, vehicles
2 Computers, any technological equipment
3 Lease
4 Quarry, oil well etc.
Any three correct for (3)   **[3]**

(c) 1 Cost or Market value
2 Useful life
3 Residual value at end of useful life
4 Expected length of ownership
5 Rate of usage
6 Method of depreciation
7 Type of asset
8 Machine hours
Any correct 4 for (4)   **[4]**

[Total: 30]

3 (a) (i) The break-even point is the level of activity at which the business makes neither a profit nor a loss – i.e. total contribution = total fixed costs. (accept a relevant formula)

[2]

(ii) The margin of safety is the distance between the break-even point and the expected level of activity. It is the amount by which actual activity can fall short of expected activity before a loss is incurred. [2]

[4]

DATA   Sales   460 000
             Variable costs   299 000
             Fixed costs   90 000

(b) $\dfrac{\text{Sales - variable costs}}{\text{Sales}} \times 100$ $\dfrac{\overset{\mathbf{1}}{460} - \overset{\mathbf{1}}{299}}{\underset{\mathbf{1}}{460}} \times 100$ 35%   **[4]**
                                                                    1of

(c) $\dfrac{\text{Fixed costs}}{\text{c/s ratio}} \times 100$ $\overset{\mathbf{1}}{90\,000} \times \dfrac{100}{\underset{\mathbf{1of}}{35}}$ $257\,143   **[3]**
                                                                      1of

(d) $(\text{Fixed costs} + \text{profit}) \times \dfrac{100}{\text{c/s ratio}}$ $(\overset{\mathbf{1}}{90\,000} + \overset{\mathbf{1}}{100\,000}) \times \dfrac{100}{\underset{\mathbf{1of}}{35}}$ $542\,857   **[4]**
                                                                            1of

(e) Sales × c/s ratio - fixed costs $(\overset{\mathbf{1}}{375\,000} \times \overset{\mathbf{1of}}{\dfrac{35}{100}}) - \overset{\mathbf{1}}{90\,000}$ $41\,250   **[4]**
                                                                            1of

                       OR $\underset{\mathbf{1}}{375\,000} - (\underset{\mathbf{1of}}{.65 \times 375\,000} + \underset{\mathbf{1}}{90\,000})$ $41\,250
                                                                                       1of

(f) Revised contribution = sales - 5% - variable costs

460 000 - 23 000 - 299 000 $138 000
    1   **1**   **1**   **1of**

$$\text{Revised c/s ratio} = \frac{\text{revised contribution}}{\text{new sales}} \times 100$$

1of
$$\frac{\$138\,000 \times 100}{460\,000 \times 0.95}$$ 31.57895%
    1   **1**

$$\text{Fixed costs} + \text{profit} \times \frac{100}{\text{c/s ratio}}$$

$$= (90\,000 + 80\,000) \times \frac{100}{31.57895}$$ $538 333
    1   **1**   **1of**
                        1of

Accept answers between $531 250 and $548 387 – answer depends on number of decimal places revised c/s ratio is taken to.   **[11]**

ALTERNATIVE METHODS ACCEPTABLE THROUGHOUT

[Total: 30]