

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
GCE Advanced Subsidiary Level and GCE Advanced Level

## MARK SCHEME for the October/November 2008 question paper

### 9706 ACCOUNTING

9706/02

Paper 2 (Structured Questions), 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.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

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<b>1 (a)</b>		2006	2007	2008	
		\$	\$	\$	
	Fixed assets	750 000	870 000	1 200 000	<b>1</b>
	Stocks	660 000	690 000	825 000	<b>1</b>
	Debtors	<u>390 000</u>	<u>420 000</u>	<u>495 000</u>	<b>1</b>
		1 800 000	1 980 000	2 520 000	
	Less Creditors	-346 000	-404 000	-448 000	<b>1</b>
	Bank overdrafts	<u>-285 000</u>	<u>-255 000</u>	<u>-375 000</u>	<b>1</b>
		1 169 000	1 321 000	1 697 000	
	Capital accounts	<u>-600 000</u>	<u>-600 000</u>	<u>-780 000</u>	<b>1</b>
		569 000	721 000	917 000	
	Current accounts	-320 000	-569 000	-721 000	
	Add back Drawings	123 000	148 000	218 000	<b>3</b>
	Salary	<u>45 000</u>	<u>60 000</u>	<u>65 000</u>	<b>3</b>
	Profit for year	417 000	360 000	479 000	

[12]

<b>(b) (i)</b>	Capital account – Michael					
		\$			\$	
	30/9/06 Bal c/d	<u>150 000</u>		1/10/05 Bal b/d	<u>150 000</u>	<b>1</b>
	30/9/07 Bal c/d	<u>150 000</u>		1/10/06 Bal b/d	<u>150 000</u>	
				1/10/07 Bal b/d	150 000	
	30/9/08 Bal c/d	<u>210 000</u>	<b>1</b>	Bank	<u>60 000</u>	<b>1</b>
		<u>210 000</u>			<u>210 000</u>	
				1/10/08 Bal b/d	210 000	
<b>(ii)</b>	Current account – Michael					
		\$			\$	
	30/9/06 Drawings	36 000	<b>1</b>	1/10/05 Bal b/d	80 000	<b>1</b>
	Bal c/d	<u>106 000</u>	<b>1of</b>	30/9/06 S of Res	<u>62 000</u>	<b>1of</b>
		<u>142 000</u>			<u>142 000</u>	
	30/9/07 Drawings	30 000	<b>1</b>	1/10/06 Bal b/d	106 000	
	Bal c/d	<u>126 000</u>	<b>1of</b>	30/9/07 S of Res	<u>50 000</u>	<b>1of</b>
		<u>156 000</u>			<u>156 000</u>	
	30/9/08 Drawings	8 000	<b>1</b>	1/10/07 Bal b/d	126 000	
	Bal c/d	<u>187 000</u>	<b>1of</b>	30/9/08 S of Res	<u>69 000</u>	<b>1of</b>
		<u>195 000</u>			<u>195 000</u>	
				1/10/08 Bal b/d	187 000	<b>1</b>

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Alternative current account – Michael

				\$						\$	
30/9/06	Drawings	81 000	1	1/10/05	Bal b/d	80 000	1				
				30/9/06	Salary	45 000					
	Bal c/d	<u>106 000</u>	1of		S of Res	<u>62 000</u>	1of				
		<u>187 000</u>				<u>187 000</u>					
30/9/07	Drawings	90 000	1	1/10/06	Bal b/d	106 000					
				30/9/07	Salary	60 000					
	Bal c/d	<u>126 000</u>	1of		S of Res	<u>50 000</u>	1of				
		<u>216 000</u>				<u>216 000</u>					
30/9/08	Drawings	73 000	1	1/10/07	Bal b/d	126 000					
				30/9/08	Salary	65 000					
	Bal c/d	<u>187 000</u>	1of		S of Res	<u>69 000</u>	1of				
		<u>260 000</u>				<u>260 000</u>					
				1/10/08	Bal b/d	187 000	1				

POSSIBLE LAYOUT USING 3 COLUMNS

<b>b (i)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>		<b>2006</b>	<b>2007</b>	<b>2008</b>	
Bal c/d	150 000	150 000	210 000	1	Bal b/d	150 000	150 000	150 000
					Bank		60 000	1
<b>b (ii)</b>								
Draw'gs	36 000	30 000	8 000	1	Bal b/d	80 000	106 000	126 000
Bal c/d	106 000	126 000	187 000	1of	S of R	62 000	50 000	69 000
			<b>1+1of</b>			<b>1of</b>	<b>1of</b>	<b>1of</b>
<b>OR</b>								
Draw'gs	81 000	90 000	73 000	1	Bal b/d	80 000	106 000	126 000
Bal c/d	106 000	126 000	187 000	1of	Salary	45 000	60 000	65 000
			<b>1+1of</b>		S of R	62 000	50 000	69 000
						<b>1of</b>	<b>1of</b>	<b>1of</b>

In the alternative answer, drawings may correctly be split into drawings given in question and drawings (salary).

Share of residue is calculated by subtracting Michael's salary from profit for the year and dividing the answer by 6 (his profit-share). [14]

- (c) The capital account shows the long-term resources invested in the partnership, and there is usually little movement of funds here. The current account shows the profits earned by each partner and the movement of funds such as drawings, interest on drawings, share of residue, interest on capital and partnership salaries.

One mark for each relevant point to a maximum of 4. [4]

[Total: 30]

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<b>2 A(a)(i)</b>		Dr(\$)		Cr(\$)	Balance(\$)	
	Credit sales	33 000	<b>1</b>		33 000	
	Discount allowed		<b>1</b>	660	32 340	
	Bad debts		<b>1</b>	990	31 350	
	Receipts from debtors		<b>1</b>	19 350	12 000	[4]

**ALTERNATIVE VERSION – ACCEPT EITHER**

		Dr(\$)		Cr(\$)	Balance(\$)	
	Credit sales	33 000	<b>1</b>		33 000	
	Discount allowed		<b>1</b>	4 400	28 600	
	Bad debts		<b>1</b>	990	27 610	
	Receipts from debtors		<b>1</b>	15 610	12 000	[4]

<b>(ii)</b>		\$				
	Sales	220 000				
	Less gross profit	<u>99 000</u>				
	Cost of sales	121 000	<b>1</b>			
	Add closing stock	<u>19 500</u>	<b>1</b>			
	Purchases	140 500	<b>1</b>			[3]

<b>(iii)</b>		Dr(\$)		Cr(\$)	Balance(\$)	
	Credit purchases		<b>1of</b>	140 500	140 500	
	Discount received	2 810	<b>1</b>		137 690	
	Payments to creditors	126 690	<b>1of</b>		11 000	[3]

Must use purchases figure from **(ii)** or no own figures

**(b) (i)** Trading and profit & loss account for year ending 30 November 2009

		\$		\$
	Sales			220 000
	Less cost of sales			
	Purchases	140 500		
	Less closing stock	<u>19 500</u>		<u>121 000</u>
	Gross profit	<b>1</b>		99 000
	Discount received	<b>1</b>		2 810
				101 810
	Discount allowed	<b>1</b>	4 400	
	Wages and salaries	<b>1</b>	19 800	
	Bad debts	<b>1</b>	990	
	Sundry expenses	<b>1</b>	11 000	
	Depreciation – motor vehicles	<b>1</b>	8 000	
	Depreciation – fixtures and fittings	<b>1</b>	<u>3 600</u>	<u>47 790</u>
	Net profit			<u>54 020</u>

**ACCEPT 660 FOR DISCOUNT ALLOWED**

Net profit will then be \$57 760

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(ii) Balance sheet at 30 November 2009

	\$		\$		\$	
<b>Fixed assets</b>	Cost		Depreciation		Net book value	
Land and buildings	70 000				70 000	1
Motor vehicle	20 000		8 000		12 000	1
Fixtures and fittings	<u>18 000</u>		<u>3 600</u>		<u>14 400</u>	1
	<u>108 000</u>		<u>11 600</u>		96 400	
<b>Current assets</b>						
Stock	19 500					
Debtors	12 000					
Bank	<u>71 718</u>	1 of	103 218			
<b>Amounts due over one year</b>						
Creditors			<u>11 000</u>			
Net current assets					<u>92 218</u>	
					<u>188 618</u>	
<b>Proprietor's interest</b>						
Capital at 1 December 2008					150 000	
Net profit		1 of			<u>54 020</u>	
					204 020	
Less drawings		1 of			<u>15 402</u>	
					<u>188 618</u>	[6]

**B BANK IS A BALANCING FIGURE AND CAN ONLY BE AWARDED IF THE TOTALS OF BOTH SECTIONS OF THE BALANCE SHEET AGREE. DRAWINGS MUST BE 10,000 + 10% OF NET PROFIT**

Stock wastage  
 Stock pilferage  
 Sales price reduced  
 Purchase price increased  
 Opening stock overstated  
 Closing stock understated  
 Theft from till  
 Sales mix altered  
 Increased carriage in  
 Increased expenses  
 More bad debt  
 Etc.  
 Any six points to a maximum of 6

**[Total: 30]**

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<b>3 (a)</b>	$FC/c = 400000/(35-9-11) =$	26666.67 units =	\$933,333	
	1 1	26 667 units =	\$93,345	
		1	1	[4]

Accept above figures or approximations of them. Candidates may use the C/S formula which, if rounded, could lead to a **correct** dollar figure of 930232.

Accept this and other approximations but do check workings.

WORKINGS ARE WORTH 2 MARKS WHETHER SHOWN OR NOT, SO **EITHER** FIGURE IS WORTH 3 MARKS PLUS 1 MARK FOR THE OTHER FIGURE.

<b>(b)</b>	Three months ended	28 February		31 May		31 August	
		\$000		\$000		\$000	
	Marginal costing						
	Sales	<u>2 100</u>	1	<u>2 800</u>	1	<u>1 575</u>	1
	Opening stock	300	1	0		700	
	Production variable costs	<u>900</u>	1	<u>2 300</u>	1	<u>600</u>	1
		1 200		2 300		1 300	
	Closing stock	<u>0</u>		<u>700</u>	1	<u>400</u>	1
		1 200		1 600		900	
	Contribution	900		1 200		675	
	Fixed costs	<u>400</u>		<u>400</u>		<u>400</u>	1 all three
	Profit	500	1of	800	1of	275	1of

[13]

Stocks are calculated on the basis of \$20 per unit – i.e. no fixed costs

DO NOT MIX AND MATCH THE ABOVE VERSION WITH THOSE BELOW –

IF ANY STOCKS ARE SHOWN THEN PRODUCTION COSTS MUST BE AS ABOVE.

#### ALTERNATIVE VERSION

		February		March		April	
Sales		2 100	1	2 800	1	1575	1
Less	540		1	720	1	405	1
	<u>660</u>	<u>1 200</u>	1	<u>880</u>	1	<u>495</u>	1
Contribution		900		1 200		675	
Fixed o'heads		<u>400</u>		<u>400</u>	1 all three	<u>400</u>	
		500	1of	800	1of	275	1of

[13]

In the last version, candidates have (correctly) multiplied the **individual** figures of selling price, direct material and direct labour by 60 000, 80 000 and 45 000.

**IF YOU SEE THE ABOVE CONTRIBUTION FIGURES, THEY ARE WORTH A TOTAL OF 9 MARKS.**

**OTHER VERSIONS SUCH AS USE OF UNIT CONTRIBUTION ARE ACCEPTABLE.**

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(c) Absorption costing

Sales	<u>2 100</u>		<u>2 800</u>		<u>1 575</u>	
Opening stock	375	1	0		875	
Production variable costs	900		2 300		600	1 of all three
Fixed costs	<u>400</u>		<u>400</u>		<u>400</u>	
	1 675		2 700		1 875	
Closing stock	<u>0</u>		<u>875</u>	1	<u>500</u>	1
	<u>1 675</u>		<u>1 825</u>		<u>1 375</u>	
Profit	425	1of	975	1of	200	1of

Stocks are calculated on the basis of \$20 variable + \$5 fixed costs = \$25 per unit. [7]

**OTHER METHODS ARE ACCEPTABLE**

(d) Reconciliation

Profit per marginal costing	500		800		275	
+ overhead in closing stock	<u>0</u>	1	<u>175</u>	1	<u>100</u>	1
	500		975		375	
– overhead in opening stock	<u>75</u>	1	<u>0</u>	1	<u>175</u>	1
Profit per absorption costing	<u>425</u>		<u>975</u>		<u>200</u>	

Candidates may correctly reverse the order, i.e. deduct closing stock first. [6]

**[Total: 30]**