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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2007 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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UNIVERSITY of CAMBRIDGE
International Examinations

A1 (a)

Killim and Jaro

Profit and Loss and Appropriation account for the year ended 30 September 2007

		$	$	
Gross profit			61 400	**1**
Discount received			1 910	**1**
Bank interest			1 320	**1**
			64 630	
General expenses		9 100		**1**
Rent, rates and insurance (1215+300)		1 515		**1**
Discount allowed		2 010		**1**
Wages (14 150 – 450)		13 700		**1**
Provision for depreciation on fixtures		3 275	29 600	**1**
Net profit			35 030	
Interest on drawings	Killim	488		**1**
	Jaro	564	1 052	**1**
			36 082	
Interest on capital	Killim	6 000		**1**
	Jaro	2 750		**1**
		8 750		
Salary – Jaro		20 000	28 750	**1**
			7 332	**1of**
Share of residue	Killim	4 888		**1of**
	Jaro	2 444	7 332	**1of**

Marks [16]

(b)

Current account – Jaro

	$		$	
Balance b/d	1 147	Share of residue	2 444	**1+1of**
Drawings	14 100	Salary	20 000	**1+1**
Interest on drawings	564	Interest on capital	2 750	**1+1**
Balance c/d	9 383			**1**
	25 194		25 194	
		Balance b/d	9 383	**1of**

Marks [8]

(c)

(i) Each partner brings in more cash. Control retained, but assumes partners have more cash to invest.

(ii) Bring in a new general partner. Eases workload but less share of profits.

(iii) Form private limited company. Smaller share of profit and possibly no easing of workload.

(iv) Long-term loan. Fixed interest, allows forward planning but **must** be paid.

Etc.

One mark for method, one for each valid point to maximum of three per suggestion.

Marks [6]

Total [30]

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A2 **(a)**

	$		
Cash takings	273 200		**1**
Drawings	14 400		**1**
Petrol	960		**1**
General expenses	1 100		**1**
Wages	12 000		**1**
Sales	301 660		**1of**

Marks [6]

(b) Gabriel

Trading, Profit and Loss Account for year ended 30 September 2007

	$	$	
Sales		301 660	**1of**
less Cost of sales			
Opening stock	22 000		
Purchases (21 200 + 182 600)	203 800		**2**
	225 800		
less Closing stock	31 250	194 550	**1of**
Gross Profit		107 110	**1of**
Electricity	2 400		**1**
Van maintenance	250		**1**
General expenses (2620+1100)	3 720		**2**
Wages	12 000		**1**
Bad debts (5010-3040)	1 970		**2**
Petrol	960		**1**
Provision for depreciation on van	1 700	23 000	**1**
Net profit		84 110	**1of**

Marks [15]

(c)

Gross profit/sales	107 110 / 301 660	35.51	%	**2of**
Net profit/sales	84 110 / 301 660	27.88	%	**2of**
Stockturn (weeks)	26 625x52 / 194 550	7.12	weeks	**2of**

Marks [6]

(d) Ratios are used for comparison (a) with other firms of a similar type, (b) with industry standard and (c) with previous years' performance. Etc.

Marks [3]

Total marks [30]

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A3 **(a)**

	Assembly	Finishing	Maintenance	Canteen		
	$	$	$	$		
Allocated overheads	28 100	30 200	9 400	11 000		**1**
Space costs	15 000	19 000	10 000	11 000		**4**
Depreciation	35 000	40 000	20 000	25 000		**4**
Canteen	18 800	16 920	11 280	-47 000		**4**
Maintenance	30 408	20 272	-50 680	0		**3**
Total	127 308	126 392	0	0	For both	**1**
					Marks	**[17]**

(b)(i) Wage costs - Assembly

12000x20	240 000		127 308	**1of**
10000x13	130 000		440 000	**1**
5000x14	70 000			
Total	440 000	$0.29 per $ labour costs		**1of**

(ii) Machine hour costs - Finishing

12000x2	24 000		126 392	**1of**
10000x3	30 000		74 000	**1**
5000x4	20 000			
Total	74 000	$1.71 per m/c hour		**1of**
			Marks	**[6]**

(c) Assembly department is labour intensive **1**

Finishing department is capital intensive (accept machine intensive) **1**

Marks **[2]**

(d) Cost of a two-seat bench

		$		$	
Materials		25.00		25.00	**1**
Labour - Assembly		13.00		13.00	**1**
Labour - finishing		4.00		4.00	**1**
Overheads - Assembly	13 x 0.29	3.77	**OR**	3.76	**1of**
Overheads - finishing	3 x 1.71	5.13	**OR**	5.12	**1of**
		50.90		50.88	

Accept approximate answers for overheads and hence for totals Marks **[5]**

Total [30]

(d) Alternative method using totals

	$			
Materials	250 000			**1**
Labour - Assembly	130 000			**1**
Labour - Finishing	40 000			**1**
Prime cost	420 000			
Prod O/head Assembly	37 700			**1of**
Prod O/head Finishing	51 300			**1of**
Total cost	509 000	/10 000 =	$50.90	

Marks **[5]**

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