UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced/Advanced Subsidiary Level

MARK SCHEME for the November 2005 question paper

9706 ACCOUNTING

9706/02 Structured Questions maximum raw mark 90

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

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.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the Report on the Examination for this session.

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

CIE is publishing the mark schemes for the November 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.



(14)

Page 1	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – November 2005	9706	2

1 (a) Bank balance is \$43 000.

(b)

O'Riley and Co plc	oriation acc	ount for the	vear ended	30 April 20	05
Trading, Front and Loss and Approp		e			00
0-1	ş	Þ	ş	•	
less Returns					
				590 000	1
		75 000			
Purchases	380 000				
less Returns	10 000	370 000			1
		445 000			
less Closing stock		85 000		360 000	
				230 000	1 OF
less expenses					
Provision for doubtful debts			425		1
Bad debts written off			3 000		1
Wages		80 000			
-		2 000	82 000		1
•		60 000			
		3 300	56 700		1
	ses				1
					1
	iioii.				1
				188 325	4
			2 000		1 OF
Net Profit				41075	101
Brancad dividends ardinant		13 600			
			10 400		4
		4 000		20 400	,
			20 000		4.05
					1 OF
Retained profit c/f				90 475	
	Sales Iess Returns Iess Cost of Sales Opening stock Purchases Iess Returns Iess Closing stock Gross Profit Iess expenses Provision for doubtful debts Bad debts written off Wages add accrued wages Other expenses Iess other expenses prepaid Provision for depreciation on premis	Sales less Returns less Cost of Sales Opening stock Purchases 380 000 less Returns 10 000 less Closing stock Gross Profit less expenses Provision for doubtful debts Bad debts written off Wages add accrued wages Other expenses less other expenses prepaid Provision for depreciation on premises Provision for depreciation on equipment Debenture interest Loan interest Net Profit Proposed dividends - ordinary preference Transfer to General Reserve Retained profit for the year Balance b/f	Sales less Returns less Cost of Sales Opening stock 75 000 Purchases 380 000 less Returns 10 000 370 000 less Closing stock 85 000 less Closing stock 85 000 less expenses Provision for doubtful debts Bad debts written off Wages 80 000 less other expenses Provision for depreciation on premises Provision for depreciation on premises Provision for depreciation on equipment Debenture interest Loan interest Net Profit Proposed dividends - ordinary preference 13 600 Transfer to General Reserve Retained profit for the year Balance b/f	S	Sales

As some candidates may have interpreted "Trading account" to include only stock items, purchases and sales, it was decided that marks for this section would be awarded only for such items, giving a gross profit. However, for inclusion in the Income and Expenditure account, candidates would be expected to calculate a full net profit.



Page 2	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – November 2005	9706	2

(c) Balance Sheet as at 30 April 2005

Fixed Assets Premises Equipment	\$	\$ Cost 520 000 200 000 720 000	\$ Dep'n 114 400 156 800 271 200	\$ NBV 405 600 43 200 448 800	4
Current Assets		120 000	2/1200	440 000	•
Stock		85 000			
Debtors	57 000	******			
less provision for doubtful debts	1 425	55 575			1
Bank		113 200			10F
Prepayment		3 300	257 075		
Creditors due within one year					
Trade Creditors		43 000			
Accrual		2 000			
Dividends due		18 400	63 400		1
Net Current Assets				193 675	1
Craditara dua after ana una				642 475	
Creditors due after one year 5% Debentures			400.000		
Loan			100 000	125 000	
Loan			25 000	125 000 517 475	1
				517 475	
Financed by					
Issued Share Capital					
340 000 ordinary shares of \$0.50	each			170 000	1
80 000 6% preference shares of \$				80 000	1
				250 000	
Reserves					
Share premium			82 000		1
Profit and Loss			90 475		1
General reserve			95 000	267 475	1
				517 475	
					(11)

(d) Share premium is the amount above the face value of a share at which it may be issued. Example: a \$1 share may be issued at \$1.05. The \$1 is credited to the share capital account whilst the \$0.05 is credited to the share premium account. It is a capital reserve and may be used as follows:

- to pay up unissued shares as fully paid bonus shares.
- to write off preliminary expenses on formation of the company
- (iii) to write off expenses incurred in share issues.
- to provide any premium payable on redemption of shares or debentures.

Up to 4 points (4)



Page 3	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – November 2005	9706	2

42	(a)	Accumulated fund	at 1 N	ovember 2	2004				
						Dr	Cr		
						s	s		
		Bank				5 950	1.75		
		Subscriptions in an	ears			550			
		Subscriptions in ad		3		000	100		
		Stock	variot			6 390	100		
		Creditors				0.390	4 235		
		Dance					50	2 1	
		Equipment				8 000	nerona.co	2 marks	
		Depreciation					2 000	per pair	
		Accumulated fund				-	14 505		
						20 890	20 890		(4)
	(b)	Restaurant Trading	Acco						
				\$	S	S	S		
		Sales					62 100		
		Less cost of sales							
		Opening stock				6 390			
		Purchases			35 500				
		Plus	1	4 785					
		Less	1	4 235	550	36 050			
			0.0	1200		42 440			
		Less closing stock				7 520	34 920		
		TO REPORT OF THE PARTY OF THE PARTY.				7 320	27 180	1of	
		Gross profit				2 400	2/ 100	1772	
		General expenses				2 100		1	
		Wages				7 800		1	
		Depreciation				_550	10 450	1	0.022
		Net profit					16 730		(6)
	(c)	Income & Expendit	ure ac	count for v	ear ended	31 October	2005		
					onarezanzen era era	S	5	\$	
		INCOME		dan		. 3	0.5	1220	
		Subscriptions = 176	300-5	50+650+10	0-450			17 350	5
		Restaurant profit						16 730	1of
		restaurant pront						34 080	101
		EXPENDITURE						54 000	
		Annual dance = 37	50-50	+125			3 825		3
		Wages = 2/3 x 234		15 600		3			
						3			
		Repairs					4 320		2
		General expenses					3 320		2
		Interest on loan = 5					3 000		2
		Depreciation - club				1 300			1
		Depreciation - equi	pmen	t		2 800	4 100	34 165	2
		Deficit				250000000000000000000000000000000000000		85	1of
								-	(20)
									2000



Total marks

Page 4	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – November 2005	9706	2

CHECK	\$	s	\$
Balance Sheet	•	•	*
Fixed assets	65000	1300	63700
rixed dasets	15400	5350	10050
	15400	3330	73750
Current assets			13130
Stock	7520		
subs	650		
Cash	860	9030	
Casii	000	9030	
Current liabilities			
Creditors	4785		
Subs	450		
Interest	3000		
Dance		0200	670
Dance	125	8360	670
			74420
Acc fund			14505
Loan			60000
			74505
deficit			85
			74420



Page 5	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – November 2005	9706	2

4.0	10	I market	nas
A3	w	A CSITIK	inns.

	\$				
Selling price	800	Monthly			
Direct materials	100	Assumed produ	ction (units)		2000
Direct labour	90	Actual production	on (units)		2400
Variable overheads	50	Sales (units)			1800
Fixed overheads	160	Fixed admin ov	erheads		\$80 000
Total overheads	400	Variable sales of	verhead	10%	Sales value
		Fixed sales over	rhead		\$120 000
Absorption Costing					
September 2005	\$000	\$000			
Opening stock		Nil			
Production costs					
Direct materials	240				
Direct labour	216				
Variable overheads	120				
Fixed overheads	384	960	1 see		
less closing stock		240	1 marks		
Production cost of sales		720	1 below		
OR (1800 x 400)					

Marginal costing

Opening stock		Nil	
Variable production costs			
Direct materials	240		
Direct labour	216		
Variable overheads	120	576	1 see
less closing stock		144	1 marks
Variable production cost of OR (1800 x 240)	sales	432	1 below

Over-absorption of overheads

Production volume	2400 units	
Fixed overheads per unit	\$160	
Fixed overheads absorbed	\$384 000	1 see marks
Fixed overheads incurred	\$320 000	1 below
Over-absorbed	\$64 000	



Page 6	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – November 2005	9706	2

ANSWERS						
(a) (i)			(a) (ii)			
Absorption			Marginal			
Sales units	1800		Sales units	1800		
	\$000			\$000		
Sales value	1440	1	Sales value	1440		
Production C of S	720	3	VC of production	432	3	
Over-absorption	64	2	V sales o/heads	144	2	
Gross profit	784	1		576		
			Contribution	864	1	
			less fixed costs	_		
Fixed admin overheads	80		Production	320		
Variable sales overheads	144	1	Admin	80		
Fixed sales overheads	120	-	Sales	120		
	344	1		520	1	
Net profit	440	1	Net profit	344	1	
	===			=	88	(18)
(b)						
	\$000					
Profit - absorption	440		Quantity produced	2400		
Profit - marginal	344		Quantity sold	1800		
Difference	96		Closing stock	600		
1			1 1			
Stock has increased by 600 u total of \$96 000	nits which	a	counts for 600 x \$160 of	fixed costs,	a	
1						(4)
	-Con					
(c)	0.000000000		8377 Ft 50	\$17,01%		
Fixed costs	\$000		Sales price per unit	\$800	1	

(c)				-		
Fixed costs	\$000		Sales price pe	r unit	\$800	1
Production overhead	320	1	less VC			
Admin overhead	80	1	DM	100		
Sales overhead	120	1	DL	80		
	520		Prod o/h	60		
			Sales o/h	80	320	1
			Unit contributi	on	\$480	1
Break-even = FC/c = \$520	000/480	=	1,084 un	its.		2 OF

Total marks 30

