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*.

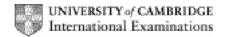
All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

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.



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

(a) Bank balance is \$43 000.

(b)	O'Riley a	and Co	olc								
	Trading,	Profit a	nd Loss	and	Appropriation	account	for the	year	ended	30	Apr
						-	ė	9			œ

O Kiley and Co pic				00 4 1 00	0.5
Trading, Profit and Loss and Appro					05
	\$	\$	\$	\$	
Sales				605 000	
less Returns				15 000	
				590 000	1
less Cost of Sales					
Opening stock		75 000			
Purchases	380 000	70 000			
		270 000			1
less Returns	10 000	370 000			,
		445 000			
less Closing stock		85 000		360 000	
Gross Profit				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		4
add accrued wages		60 000	02 000		
Other expenses			FO 700		
less other expenses prepaid		3 300	56 700		1
Provision for depreciation on premi			10 400		1
Provision for depreciation on equip	ment		28 800		1
Debenture interest			5 000		1
Loan interest			2 000	188 325	1
Net Profit				41 675	1 OF
71017 7011					
Proposed dividends - ordinary		13 600			
preference		4 800	18 400		1
		4 000		20 400	•
Transfer to General Reserve			20 000	38 400	4.05
Retained profit for the year				3 275	1 OF
Balance b/f				87 200	
Retained profit c/f				90 475	
					(14)

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	Mark Scheme Syllabus	
	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	1
Current Assets					
Stock		85 000			
Debtors	57 000				
less provision for doubtful debts	1 425	55 575			1
Bank		113 200	0.53.035		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		10 400	00 400	193 675	i
				642 475	
Creditors due after one year					
5% Debentures			100 000		
Loan			25 000	125 000	1
				517 475	
Financed by					
Issued Share Capital					
340 000 ordinary shares of \$0.50				170 000	1
80 000 6% preference shares of \$	1 each			80 000	1
Reserves				250 000	
Share premium			82 000		1
Profit and Loss			90 475		i
General reserve			95 000	267 475	i
				517 475	
					(11)
d). Ohann annual on to the same of the				. 14	,

- (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.
 - (ii) 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

A2	(a)	Accumulated fund	at 1 N	lovember 2	004				
	(-)					Dr	Cr		
						S	s		
		Bank				5 950	1.76		
		Subscriptions in arr	ears			550			
		Subscriptions in ad				000	100		
		Stock	venio	*		6 390	100		
		Creditors				0 350	4 235		
		Dance					50		
						8 000	50	2 marks	
		Equipment				0 000	2 000		
		Depreciation Accumulated fund					2 000	per pair	
		Accumulated fund				20.000	14 505		(4)
						20 890	20 890		(4)
	(b)	Restaurant Trading	Acco	unt for the	year ended	31 Octobe	r 2005		
				S	S	S	S		
		Sales		101.01			62 100		
		Less cost of sales					0.33		
		Opening stock				6 390			
		Purchases			35 500				
		Plus	1	4 785					
		Less	1	4 235	550	36 050			
		2000	0.0	7200	- 555	42 440			
		Less closing stock				7 520	34 920		
		Gross profit				7 320	27 180	1of	
		General expenses				2 100	27 100	17723	
		Wages				7 800		1	
		The state of the s				0.0000000000000000000000000000000000000	10.450	1	
		Depreciation Not profit				_550	10 450	S18	(6)
		Net profit					16 730		(6)
	(c)	Income & Expendit	ure a	count for y	ear ended	31 October	2005		
		MD0004570CD		'Oggew'		\$	\$	s	
		INCOME							
		Subscriptions = 176	00-5	50+650+10	0-450			17 350	5
		Restaurant profit						16 730	1of
		9						34 080	
		EXPENDITURE							
		Annual dance = 375	5000	+125			3 825		3
		Wages = 2/3 x 234	00				15 600		3
		Repairs					4 320		
		General expenses :					3 320		2
		Interest on loan = 5	% of	60000			3 000		2
		Depreciation - club!	nouse	1		1 300			1
		Depreciation - equi	omen	t		2 800	4 100	34 165	2
		Deficit				2000	2210	85	1of
								-	(20)
							T	otal marks	30
							- 1	otar marks	50

Page 4	Mark Scheme	Syllabus	Paper
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CHECK			
	\$	s	\$
Balance Sheet			
Fixed assets	65000	1300	63700
	15400	5350	10050
			73750
Current assets			
Stock	7520		
subs	650		
Cash	860	9030	
Current liabilities			
Creditors	4785		
Subs	450		
Interest	3000		
Dance	125	8360	670
			74420
			14420
Acc fund			14505
Loan			60000
			74505
			85
deficit			0.0

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

43	Workings					
	1.0 TO	\$				
	Selling price	800	Monthly			
	Direct materials	100	Assumed product	tion (units)		2000
	Direct labour	90	Actual production	(units)		2400
	Variable overheads	50	Sales (units)	9. 80		1800
	Fixed overheads	160	Fixed admin over	rheads		\$80 000
	Total overheads	400	Variable sales ov	erhead	10%	Sales value
			Fixed sales overt	nead		\$120 000
	Absorption Costing					
			+C-22-24-1			
	September 2005	\$000	\$000			
	Opening stock		Nil			
	Production costs		140			
	Direct materials	240				
		216				
	Direct labour	120				
	Variable overheads		960	1 see		
	Fixed overheads	384	7.7.7	1 marks		
	less closing stock		240	1 marks		
	Production cost of sales		720	1 Delow		
	OR (1800 x 400)					
	Marginal costing					
	Opening stock		Nil			
	Variable production costs		45,000,00			
	Direct materials	240				
	Direct labour	216				
	Variable overheads	120	576	1 see		
	less closing stock	_	144	1 marks		
	Variable production cost of sales	5	432	1 below		
	OR (1800 x 240)					
	Over-absorption of overheads					
	Production volume		2400 units			
	Fixed overheads per unit		\$160			
	Fixed overheads absorbed		\$384 000	1 see marks	3	
	Fixed overheads incurred		\$320 000	1 below		
	Over-absorbed		\$64 000			
	•					

Page 6	Mark Scheme	Syllabus	Paper
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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	
					_		(18)
(b)							
~~	\$000						
Profit - absorption	440		Quantity produce	d	2400		
Profit - marginal	344		Quantity sold		1800		
Difference	96		Closing stock		600		
1			1	1			
Stock has increased by 600 un	nits which	a	counts for 600 x \$	160 of f	ixed costs	a	
total of \$96 000							(4)
(c)	-04						
Fixed costs	\$000		Sales price per u	nit	\$800	1	
Production overhead	320	1	less VC		4000		
Admin overhead	80	1	DM	100			
Sales overhead	120	1	DL	80			
	520		Prod o/h	60			
	-		Sales o/h	80	320	1	
			Unit contribution	-00	\$480	1	
			Cant Contribution		=		
Break-even = FC/c = \$520 000/480		=	1,084 units.			2 OF	