

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

**MARK SCHEME for the October/November 2012 series**

**9706 ACCOUNTING**

**9706/23**

Paper 2 (Structured Questions – Core),  
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, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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1 (a) Manufacturing account for the year ended 31 March 2012

	\$	\$	\$
Raw materials			
Opening inventory		53 000	
Purchases of raw materials	800 000	(1)	
Carriage inwards	6 000	(1)	
Returns outwards	<u>(18 500)</u>	(1)	
		840 500	
Less closing inventory		<u>47 000</u>	(1)
Cost of raw materials consumed			793 500
Direct wages			<u>450 000</u>
PRIME COST			1 243 500 (1)
Add Factory Overheads			
Indirect wages	68 000	(1)	
Rates and insurance	31 160	(1)	
General factory overheads			
Depreciation premises	93 000	(1)	
Depreciation machinery	24 000	(1)	
		<u>27 000</u>	(1)
			<u>243 160</u>
			1 486 660
Add: Opening work in progress			<u>80 000</u>
			1 566 660
Less: Closing work in progress			<u>92 000</u>
Manufacturing cost of goods completed			<u>1 474 660</u>

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**(b)** Income Statement for the year ended 31 March 2012

Revenue		2 500 00	(1)	
Revenue returns		<u>22 000</u>	(1)	
				2 478 000
Opening inventory	76 000			
Cost of goods produced	<u>1 474 660</u>	(1) of		
		1 550 660		
Less Closing inventory		<u>68 000</u>	(1)	
Cost of sales				<u>1 482 660</u>
Gross profit				995 340
Expenses				
Rates and insurance		7 790	(1)	
Loan interest		10 000	(1)	
Office salaries		80 000	(1)	
Depreciation premises		6 000	(1)	
Provision for doubtful debts		350	(2)	
General office expenses		<u>100 000</u>	(1)	
				<u>204 140</u>
Profit for the year				<u>791 200</u>

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- (c)** Assets should not be overstated **(1)**  
 Liabilities should be understated **(1)**  
 Revenue should not be brought into the financial statements until realised **(1)**

**(Up to 3 points for the definition)**

- Inventory **(1)**  
 Provision for doubtful debts **(1)**  
 Depreciation **(1)**

**(Up to 3 points for examples)**

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**[Total: 30]**

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2 (a)

		<b>Capital Account</b>							
	Maurice	Ravel	Bach		Maurice	Ravel	Bach		
	\$	\$	\$		\$	\$	\$		
Goodwill	16 000	16 000	8 000	(1)	Balance b/d	120 000	80 000		(1)
					Bank			39 000	(1)
					Motor van			8 000	(1)
Balance c/d	<u>120 000</u>	<u>84 000</u>	<u>39 000</u>		Goodwill	<u>20 000</u>	<u>20 000</u>		(1)
	<u>140 000</u>	<u>100 000</u>	<u>47 000</u>			<u>140 000</u>	<u>100 000</u>	<u>47 000</u>	

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(b) (i)

**Maurice Ravel and Bach**  
**Income Statement and Appropriation Account for the year ended 30 June 2012**

	\$	\$	\$
Revenue		2 600 000	(1)
Revenue returns		<u>200 000</u>	(1)
			2 400 000
Opening inventory	120 000	(1)	
Ordinary goods purchased	1 625 000	(1)	
		1 745 000	
Less Closing inventory		<u>145 000</u>	(1)
Cost of sales			<u>1 600 000</u>
Gross Profit			800 000
Expenses		<u>480 000</u>	(1)
Profit for the year			<u>480 000</u> 320 000

[6]

(ii)

Add Interest on drawings			
Maurice		4 800	(1)
Ravel		6 000	
Bach		<u>1 750</u>	(1)
			<u>12 550</u>
Less Salary: Ravel		10 000	(1)
Less Interest on capital:			
Maurice	12 400	(1)	
Ravel	8 400	(1)	
Bach	<u>3 900</u>	(1)	
		<u>24 700</u>	<u>34 700</u>
			<u>297 850</u>
Balance of profits shared:			
Maurice		119 140	(1)
Ravel		119 140	(1)
Bach		<u>59 570</u>	(1)
			<u>297 850</u>

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(c)

	Current Account						
	Maurice	Ravel	Bach		Maurice	Ravel	Bach
	\$	\$	\$		\$	\$	\$
Balance b/d		12 000		Balance b/d	17 000		
Drawings	96 000	120 000	35 000	Profit	119 140	119 140	59 570
Interest on drawings	4 800	6 000	1 750	Salary		10 000	
				Interest on capital	12 400	8 400	3 900
Balance c/d	47 740		26 720	Balance c/d		460	
	148 540	138 000	63 470		148 540	138 000	63 470

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(d) Liability for the debts of the business (1) is limited (1) to the amount of capital invested by each partner (1)

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[Total: 30]

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3 (a)

Per unit	Alpha	Beta	Gamma
	\$	\$	\$
Selling price	72	74	58
Variable costs	52	52	41
Contribution	<u>21</u> (1)	<u>22</u> (1)	<u>17</u> (1)

[3]

(b)

		\$
Alpha	9 000 × \$21	189 000 (1)
Beta	12 000 × \$22	264 000 (1)
Gamma	7 000 × \$17	<u>119 000</u> (1)
		572 000
Fixed costs		<u>250 000</u> (1)
Monthly profit		<u>322 000</u> (1)

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(c)

	Alpha	Beta	Gamma
Contribution per limiting factor	$\frac{21}{18} = 1.17$	$\frac{22}{25} = 0.88$	$\frac{17}{16} = 1.06$
Priority	1 (1)	3 (1)	2 (1)

Material available in April = 574 000 × 80% = 495 200 utilised as

9000 × 18 =	(1)	7408 × 25	(1)	7000 × 16	(1)
162 000		= 185 200		= 112 000	

Converted into contribution for April

9000 × 21 =	(1)	7408 × \$22	(1)	7000 × \$17	(1)
\$189 000		= \$162 976		= 119 000	

	\$
Total contribution for April 189 000 + 162 976 + 119 000	470 976
Fixed costs	<u>250 000</u> (1)
Profit for April	<u>220 976</u> (1)

Total profit for 3 months = (322 000 × 2) + 220 976	864 976 (1)
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(d)	\$	
Selling price	50	(1)
Variable costs	<u>41</u>	(1)
Contribution per unit	9	
Quantity	<u>3 000</u>	(1)
Total contribution	27 000	
Fixed costs	<u>15 000</u>	(1)
Profit	12 000	

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- (e) Customers paying full price will be annoyed to discover others paying less.  
Possible business will be taken elsewhere.

Reaction of competitors needs consideration – price wars.

Will acceptance of the offer take up capacity that could be better used for future full price business?

An over reliance on special orders is not a long term solution and the company should put priority on achieving full price orders.

**3 x 2 marks**

[6]

**[Total: 30]**