UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS GCE Advanced/Advanced Subsidiary Level

MARK SCHEME for the June 2005 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 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*.

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

CIE is publishing the mark schemes for the June 2005 question papers for most IGCSE and GCE Advanced Level syllabuses.



	maximum	minimum	mark required	for grade:
	mark available	А	В	Е
Component 2	90	66	59	38

Grade thresholds for Syllabus 9706 (Accounting) in the June 2005 examination.

The thresholds (minimum marks) for Grades C and D are normally set by dividing the mark range between the B and the E thresholds into three. For example, if the difference between the B and the E threshold is 24 marks, the C threshold is set 8 marks below the B threshold and the D threshold is set another 8 marks down. If dividing the interval by three results in a fraction of a mark, then the threshold is normally rounded down.



June 2005

GCE A/AS LEVEL

MARK SCHEME

MAXIMUM MARK: 90

SYLLABUS/COMPONENT: 9706/02

ACCOUNTING Paper 2 (Structured Questions)



Page	e 1		Mark Scheme		Syllabus	Paper
			A/AS – June 200)5	9706	2
(a)	Option 1 – E	Borrow from	bank			
		rofit		\$		
	Increased provide less manage			27 000 <u>15 000</u>		•
	icss manage	or 5 Salary		12 000		
	less bank in	terest		9 000		
	Net increase	Э		<u>3 000</u> i.e. \$10		
				1of ignore aliens		
	Each now re	eceives \$22	500 + \$1000 = \$2	23 500 as new profit		
		1		(3[1 each])		
	Alternate me	ethod				
	New profit	67 500 +	27 000	94 500	2 (1 each)	
	less manage	er's salary		<u>15 000</u>	1	
				79 500		
	less bank in	terest		<u>9 000</u> 70 500	1 1of ignore aliens	
				<u>23 500</u> each	3 (1 each)	
					• (1 • • • • • • • • •	
(b)	Option 2 – E	Bring in parti	ner	•		
				\$		
	Profit = \$67 less interest			94 500.00		
		on oupliar	\$			
	Ringo		5 625.00		marks for	
	John		4 500.00		individual	
	Paul		3 375.00	16 975 00	figures	
	Georgina		<u>3 375.00</u>	<u>16 875.00</u> 77 625.00		
	Profit share					
	5	allow	23 287.50			1+10
		rounding	23 287.50		ignore	1+10
	Paul Georgina		15 525.00 <u>15 525.50</u>	<u>77 625.00</u>	aliens	1+10 1+10
	Seorgina		10 020.00	<u>11 020.00</u>		1 - 10
	Ringo gets		28 912.50			1
	John now ge		27 787.50		ignore	1
	Paul now ge		18 900.00 18 900.00		aliens	1 1
	Georgina no	w yers	10 900.00			1

[18]

Profit share = 2 each for correct figure, 1 each if wrong but in correct proportion otherwise 0.

(c) Borrowing from bank is better for two partners and as bank interest decreases over the years when loan is being paid back all three will gain more, though John will never be as well off as he would be under option 2. Own figure applies up to a maximum of (4). If reversed, bringing in new partner is worse, as total profit is less and even with new profit-sharing ratios each partner gets less.

[Total: 30]

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Page 2	Mark Scheme	Syllabus	Paper
	A/AS – June 2005	9706	2

2 (a) James Defirst Ltd's Balance Sheet at 31 May 2005

(b)

(c)

				-				
		ed assets	\$	\$ Cost	\$ Deprec- iation	\$ Net Book Value	4	
	Mot	odwill tor vehicles lipment		<u>30 000</u>	47 040 <u>16 200</u> <u>63 240</u>	15 000 12 960 <u>13 800</u> 41 760	1 3 (1 each) 3 (1 each) 1of	
	Sto	<u>rent assets</u> ck otors	1 78 000	48 250				
	less Bar	s provision for doubtful debts Ik	<u>3 900 </u> 2 1		(0 if not 135 475	74 100)		
	Cre Pro	ounts due within 1 year ditors posed dividend current assets	1 1	30 075 <u>9 000</u>	<u>39 075</u>	<u>96 400</u> 138 160		
	Aut 100 Issu	<u>bital and reserves</u> horised capital 0000 ordinary shares of \$1 ea ued capital			-	<u>100 000</u>		
	Sha	000 ordinary shares of \$1 eac are premium	h fully paid		11 250	75 000	1	
		neral reserve ained profit			15 000 <u>36 910</u>	<u>63 160</u> 138 160	1 1of no aliens	
	Los	e this mark if any headings m	nissing		-	resentation	1 1	
		acquire mark for Ordinary sha marks are figure marks unless			umber of s	shares.		[20]
1	Liqu	rking capital ration = 135 475/ uid ration = 87 225/3			3.47 :1 2.23 :1			2of 2of
	Full	ard 1 each max if : 1 omitted marks for at least one or mo marks if reversed, e.g. 1:0.45						[4]
	(i)	In a partnership, the approp business is <u>split</u> among the p <u>interest on drawings</u> , and <u>sa</u> end.	partners, ta	king into	account ir	<u>nterest on capit</u>	<u>al,</u>	
	(ii)	In a limited company, the ap the business is <u>distributed</u> a such as <u>general reserve</u> and <u>forward</u> from last year and ca	among the retained p	shareholo <u>rofits</u> . Fro	ders but a equently <u>p</u>	also into reserv	es	
		<u>ionvara</u> nom lact your and of			•	on, to maximum	1	[6]
							[Total:	30]

A/AS - June 2005 9706 2 Workings Product Platinum Gold Silver Bronze s	Page 3	3	Mark Sch	eme	www.c	Syllabus	Paper	r
Product Platinum Gold Silver Bronze per unit \$	i ugo c	, 						•
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $	١	Workings						
per unit Selling price 184 148 142 138 Variable costs Direct material 24 21 30 18 Direct labour 30 27 24 27 Variable overheads 12 10 8 10 Corriginal FO (\$) 36 000 27 000 19 200 36 000 \$118 200 Total sales (units) 2 000 18 00 1600 2 400 197 000 Unit overheads (F+V) 30 25 20 25 7 000 197 000 New fixed overheads 38 80 29 160 20 736 38 800 127 656 Remainder for variable overheads 880 29 160 20 736 38 80 29 344 (a) Statement of profitability – original plan Froduct Platinum Gold Silver Bronze Total Sales quantity 2 000 1800 1600 2400 118 200 Unit contribution (\$) 118 90 80 83 118 200 <	F	Product						
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$\begin{array}{c ccccccccccccccccccccccccccccccccccc$			104	140	<u>142</u>	130		
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$			24	21	30	18		
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I								
					108 800	163 200	607 000	5 [

Page		Mark Scheme			Syllabus	Pap	er
	A	/AS – June 2005			9706	2	
(b)	Statement of quantity produ	uced – optimum	product mix				
	Product	Platinum	Gold	l Silve	er	Bronze	
	Ranking (contribution per	118/12	90/10) 80/	8	83/10	
	unit of scarce resource) =	9.83	ç) 1	0	8.3	
	Or VO as % of contribution	on 10.17	11.11	1	0	12.05	
	Quantity	2 000	1 800) 160	0	1 454	4of
	VO/unit (\$)	12	10)	8	10	
	Total VO (\$)	24 000	18 000) 12 80	0	14 544	4of
	Overhead cash remaining ((\$) 45 344	27 344	14 54	4	0	
	If total variable overheads of Award 4of for <u>any 4 quantit</u> Award 8 for correct quantiti	<u>ies</u> provided at le	east <u>one i</u> s diff		given quan	tities.	[8]
(c)	Award 4of for any 4 quantit	<u>ies</u> provided at le es whether VO s	east <u>one i</u> s diff hown or not.		given quan	tities.	[8]
c)	Award 4of for <u>any 4 quantit</u> Award 8 for correct quantiti Statement of profitability – o	<u>ies</u> provided at le es whether VO s optimum product	east <u>one i</u> s diff hown or not. mix	erent from			[8]
c)	Award 4of for <u>any 4 quantities</u> Award 8 for correct quantities Statement of profitability – of Product	<u>ies</u> provided at le es whether VO s optimum product Platinum	east <u>one i</u> s diff hown or not. mix Gold	erent from Silver	Bronze	itities. Total	[8]
c)	Award 4of for <u>any 4 quantities</u> Award 8 for correct quantities Statement of profitability – of Product Quantity	<u>ies</u> provided at le es whether VO s optimum product Platinum 2 000	east <u>one i</u> s diff hown or not. mix Gold 1 800	erent from Silver 1 600	Bronze 1 454		[8]
c)	Award 4of for <u>any 4 quantities</u> Award 8 for correct quantities Statement of profitability – of Product Quantity Contribution/unit (\$)	<u>ies</u> provided at le es whether VO s optimum product Platinum	east <u>one i</u> s diff hown or not. mix Gold	erent from Silver	Bronze		[8]
c)	Award 4of for <u>any 4 quantities</u> Award 8 for correct quantities Statement of profitability – of Product Quantity	<u>ies</u> provided at le es whether VO s optimum product Platinum 2 000 118	east <u>one i</u> s diff hown or not. mix Gold 1 800 90	erent from Silver 1 600 80	Bronze 1 454 83	Total	
с)	Award 4of for <u>any 4 quantit</u> Award 8 for correct quantiti Statement of profitability – o Product Quantity Contribution/unit (\$) Total contribution (\$)	<u>ies</u> provided at le es whether VO s optimum product Platinum 2 000 118 236 000	east <u>one</u> is diff hown or not. mix Gold 1 800 90 162 000	Silver 1 600 80 128 000	Bronze 1 454 83 120 682	Total 646 682	2*
c)	Award 4of for <u>any 4 quantities</u> Award 8 for correct quantities Statement of profitability – of Product Quantity Contribution/unit (\$) Total contribution (\$) Less fixed overheads (\$) Net profit	<u>ies</u> provided at le es whether VO s optimum product Platinum 2 000 118 236 000 38 880 197 120	east <u>one</u> is diff hown or not. mix Gold 1 800 90 162 000 29 160 132 840	Silver 1 600 80 128 000 20 736 107 264	Bronze 1 454 83 120 682 38 880	Total 646 682 <u>127 656</u>	2*
(c)	Award 4of for <u>any 4 quantit</u> Award 8 for correct quantiti Statement of profitability – (Product Quantity Contribution/unit (\$) Total contribution (\$) Less fixed overheads (\$)	<u>ies</u> provided at le es whether VO s optimum product Platinum 2 000 118 236 000 38 880 197 120 contribution of 1	east <u>one</u> is diff hown or not. mix Gold 1 800 90 162 000 29 160 132 840 20 682 for bro	Silver 1 600 80 128 000 20 736 107 264 nze]	Bronze 1 454 83 120 682 38 880	Total 646 682 <u>127 656</u> \$ <u>519 026</u> 4	2* 4+1of**