

**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.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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Page 2	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2007	9706	02

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			<u>1 320</u>	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	<u>3 275</u>		<u>29 600</u>	1
Net profit			35 030	
Interest on drawings	Killim	488		1
	Jaro	<u>564</u>	<u>1 052</u>	1
			36 082	
Interest on capital	Killim	6 000		1
	Jaro	<u>2 750</u>		1
		8 750		
Salary – Jaro		<u>20 000</u>	<u>28 750</u>	1
			7 332	1of
Share of residue	Killim	4 888		1of
	Jaro	<u>2 444</u>	<u>7 332</u>	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	<u>9 383</u>			1
	<u>25 194</u>		<u>25 194</u>	
		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]

Page 3	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2007	9706	02

<b>A2</b>	<b>(a)</b>	\$		
	Cash takings	273 200		<b>1</b>
	Drawings	14 400		<b>1</b>
	Petrol	960		<b>1</b>
	General expenses	1 100		<b>1</b>
	Wages	<u>12 000</u>		<b>1</b>
	Sales	301 660		<b>1of</b>
			Marks	<b>[6]</b>

<b>(b)</b>	Gabriel			
	Trading, Profit and Loss Account for year ended 30 September 2007			
		\$	\$	
	Sales		301 660	<b>1of</b>
	less Cost of sales			
	Opening stock	22 000		
	Purchases (21 200 + 182 600)	<u>203 800</u>		<b>2</b>
		225 800		
	less Closing stock	<u>31 250</u>	<u>194 550</u>	<b>1of</b>
	Gross Profit		107 110	<b>1of</b>
	Electricity	2 400		<b>1</b>
	Van maintenance	250		<b>1</b>
	General expenses (2620+1100)	3 720		<b>2</b>
	Wages	12 000		<b>1</b>
	Bad debts (5010-3040)	1 970		<b>2</b>
	Petrol	960		<b>1</b>
	Provision for depreciation on van	<u>1 700</u>	<u>23 000</u>	<b>1</b>
	Net profit		<u>84 110</u>	<b>1of</b>
			Marks	<b>[15]</b>

<b>(c)</b>	Gross profit/sales	<u>107 110</u>	35.51 %	<b>2of</b>
		301 660		
	Net profit/sales	<u>84 110</u>	27.88 %	<b>2of</b>
		301 660		
	Stockturn (weeks)	<u>26 625x52</u>	7.12 weeks	<b>2of</b>
		194 550		
			Marks	<b>[6]</b>

<b>(d)</b>	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	<b>[3]</b>
		<b>Total marks</b>	<b>[30]</b>

Page 4	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2007	9706	02

<b>A3</b>	<b>(a)</b>	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	<u>30 408</u>	<u>20 272</u>	<u>-50 680</u>	<u>0</u>		3
	Total	<u>127 308</u>	<u>126 392</u>	0	0	For both	1
						Marks	[17]
<b>(b)(i)</b>	Wage costs - Assembly	12000x20	240 000			<u>127 308</u>	1of
		10000x13	130 000			440 000	1
		5000x14	70 000				
	Total		<u>440 000</u>	\$0.29 per \$ labour costs			1of
<b>(ii)</b>	Machine hour costs - Finishing	12000x2	24 000			<u>126 392</u>	1of
		10000x3	30 000			74 000	1
		5000x4	20 000				
	Total		<u>74 000</u>	\$1.71 per m/c hour			1of
						Marks	[6]
<b>(c)</b>	Assembly department is labour intensive					1	
	Finishing department is capital intensive (accept machine intensive)					1	
						Marks	[2]
<b>(d)</b>	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	<b>OR</b>		3.76	1of
	Overheads - finishing	3 x 1.71	5.13	<b>OR</b>		5.12	1of
			50.90			50.88	
	<b>Accept approximate answers for overheads and hence for totals</b>					Marks	[5]
						<b>Total</b>	<b>[30]</b>
<b>(d)</b>	Alternative method using totals	\$					
	Materials	250 000				1	
	Labour - Assembly	130 000				1	
	Labour - Finishing	<u>40 000</u>				1	
	Prime cost	420 000					
	Prod O/head Assembly	37 700				1of	
	Prod O/head Finishing	<u>51 300</u>				1of	
	Total cost	509 000	/10 000 =		\$50.90		
						Marks	[5]