

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2008 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.

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

CIE is publishing the mark schemes for the October/November 2008 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.



Page 2	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2008	9706	02

1 (a)	2006	2007	2008	
	\$	\$	\$	
Fixed assets	750 000	870 000	1 200 000	1
Stocks	660 000	690 000	825 000	1
Debtors	<u>390 000</u>	<u>420 000</u>	<u>495 000</u>	1
	1 800 000	1 980 000	2 520 000	
Less Creditors	–346 000	–404 000	–448 000	1
Bank overdrafts	<u>–285 000</u>	<u>–255 000</u>	<u>–375 000</u>	1
	1 169 000	1 321 000	1 697 000	
Capital accounts	<u>–600 000</u>	<u>–600 000</u>	<u>–780 000</u>	1
	569 000	721 000	917 000	
Current accounts	–320 000	–569 000	–721 000	
Add back Drawings	123 000	148 000	218 000	3
Salary	<u>45 000</u>	<u>60 000</u>	<u>65 000</u>	3
Profit for year	417 000	360 000	479 000	

[12]

(b) (i)		Capital account – Michael			
		\$		\$	
30/9/06	Bal c/d	<u>150 000</u>	1/10/05	Bal b/d	<u>150 000</u> 1
30/9/07	Bal c/d	<u>150 000</u>	1/10/06	Bal b/d	<u>150 000</u>
			1/10/07	Bal b/d	150 000
30/9/08	Bal c/d	<u>210 000</u> 1		Bank	<u>60 000</u> 1
		<u>210 000</u>			<u>210 000</u>
			1/10/08	Bal b/d	210 000
(ii)		Current account – Michael			
		\$		\$	
30/9/06	Drawings	36 000 1	1/10/05	Bal b/d	80 000 1
	Bal c/d	<u>106 000</u> 1of	30/9/06	S of Res	<u>62 000</u> 1of
		<u>142 000</u>			<u>142 000</u>
30/9/07	Drawings	30 000 1	1/10/06	Bal b/d	106 000
	Bal c/d	<u>126 000</u> 1of	30/9/07	S of Res	<u>50 000</u> 1of
		<u>156 000</u>			<u>156 000</u>
30/9/08	Drawings	8 000 1	1/10/07	Bal b/d	126 000
	Bal c/d	<u>187 000</u> 1of	30/9/08	S of Res	<u>69 000</u> 1of
		<u>195 000</u>			<u>195 000</u>
			1/10/08	Bal b/d	187 000 1

Page 3	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2008	9706	02

Alternative current account – Michael

		\$				\$	
30/9/06	Drawings	81 000	1	1/10/05	Bal b/d	80 000	1
				30/9/06	Salary	45 000	
	Bal c/d	<u>106 000</u>	1of		S of Res	<u>62 000</u>	1of
		<u>187 000</u>				<u>187 000</u>	
30/9/07	Drawings	90 000	1	1/10/06	Bal b/d	106 000	
				30/9/07	Salary	60 000	
	Bal c/d	<u>126 000</u>	1of		S of Res	<u>50 000</u>	1of
		<u>216 000</u>				<u>216 000</u>	
30/9/08	Drawings	73 000	1	1/10/07	Bal b/d	126 000	
				30/9/08	Salary	65 000	
	Bal c/d	<u>187 000</u>	1of		S of Res	<u>69 000</u>	1of
		<u>260 000</u>				<u>260 000</u>	
				1/10/08	Bal b/d	187 000	1

POSSIBLE LAYOUT USING 3 COLUMNS

b (i)		2006		2007		2008		2006		2007		2008	
Bal c/d	150 000			150 000		210 000	1	Bal b/d	150 000	1	150 000	150 000	
								Bank				60 000	1
b (ii)													
Draw'gs	36 000	1		30 000	1	8 000	1	Bal b/d	80 000	1	106 000	126 000	
Bal c/d	106 000	1of		126 000	1of	187 000		S of R	62 000	1of	50 000	1of	69 000
						1+1of							1of
OR													
Draw'gs	81 000	1		90 000	1	73 000	1	Bal b/d	80 000	1	106 000	126 000	
Bal c/d	106 000	1of		126 000	1of	187 000		Salary	45 000		60 000	65 000	
						1+1of		S of R	62 000	1of	50 000	1of	69 000
													1of

In the alternative answer, drawings may correctly be split into drawings given in question and drawings (salary).

Share of residue is calculated by subtracting Michael's salary from profit for the year and dividing the answer by 6 (his profit-share). [14]

- (c) The capital account shows the long-term resources invested in the partnership, and there is usually little movement of funds here. The current account shows the profits earned by each partner and the movement of funds such as drawings, interest on drawings, share of residue, interest on capital and partnership salaries.

One mark for each relevant point to a maximum of 4.

[4]

[Total: 30]

Page 4	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2008	9706	02

2 A(a)(i)	Dr(\$)		Cr(\$)	Balance(\$)	
Credit sales	33 000	1		33 000	
Discount allowed		1	660	32 340	
Bad debts		1	990	31 350	
Receipts from debtors		1	19 350	12 000	[4]

ALTERNATIVE VERSION – ACCEPT EITHER

	Dr(\$)		Cr(\$)	Balance(\$)	
Credit sales	33 000	1		33 000	
Discount allowed		1	4 400	28 600	
Bad debts		1	990	27 610	
Receipts from debtors		1	15 610	12 000	[4]

(ii)	\$				
Sales	220 000				
Less gross profit	<u>99 000</u>				
Cost of sales	121 000	1			
Add closing stock	<u>19 500</u>	1			
Purchases	140 500	1			[3]

(iii)	Dr(\$)		Cr(\$)	Balance(\$)	
Credit purchases		1of	140 500	140 500	
Discount received	2 810	1		137 690	
Payments to creditors	126 690	1of		11 000	[3]

Must use purchases figure from (ii) or no own figures

(b) (i) Trading and profit & loss account for year ending 30 November 2009

	\$		\$	
Sales			220 000	
Less cost of sales				
Purchases		140 500		
Less closing stock		<u>19 500</u>		<u>121 000</u>
Gross profit	1			99 000
Discount received	1			2 810
				101 810
Discount allowed	1	4 400		
Wages and salaries	1	19 800		
Bad debts	1	990		
Sundry expenses	1	11 000		
Depreciation – motor vehicles	1	8 000		
Depreciation – fixtures and fittings	1	<u>3 600</u>		<u>47 790</u>
Net profit				<u>54 020</u> [8]

ACCEPT 660 FOR DISCOUNT ALLOWED

Net profit will then be \$57 760

Page 5	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2008	9706	02

(ii) Balance sheet at 30 November 2009

	\$	\$	\$	
	Cost	Depreciation	Net book value	
Fixed assets				
Land and buildings	70 000		70 000	1
Motor vehicle	20 000	8 000	12 000	1
Fixtures and fittings	<u>18 000</u>	<u>3 600</u>	<u>14 400</u>	1
	<u>108 000</u>	<u>11 600</u>	96 400	
Current assets				
Stock	19 500			
Debtors	12 000			
Bank	<u>71 718</u>	103 218		
Amounts due over one year				
Creditors		<u>11 000</u>		
Net current assets			<u>92 218</u>	
			<u>188 618</u>	
Proprietor's interest				
Capital at 1 December 2008			150 000	
Net profit	10f		<u>54 020</u>	
			204 020	
Less drawings	10f		<u>15 402</u>	
			<u>188 618</u>	[6]

B BANK IS A BALANCING FIGURE AND CAN ONLY BE AWARDED IF THE TOTALS OF BOTH SECTIONS OF THE BALANCE SHEET AGREE. DRAWINGS MUST BE 10,000 + 10% OF NET PROFIT

Stock wastage
 Stock pilferage
 Sales price reduced
 Purchase price increased
 Opening stock overstated
 Closing stock understated
 Theft from till
 Sales mix altered
 Increased carriage in
 Increased expenses
 More bad debt
 Etc.
 Any six points to a maximum of 6

[Total: 30]

Accept above figures or approximations of them. Candidates may use the C/S formula which, if rounded, could lead to a **correct** dollar figure of 930232.
Accept this and other approximations but do check workings.
WORKINGS ARE WORTH 2 MARKS WHETHER SHOWN OR NOT, SO **EITHER** FIGURE IS WORTH 3 MARKS PLUS 1 MARK FOR THE OTHER FIGURE.

Stocks are calculated on the basis of \$20 per unit – i.e. no fixed costs
DO NOT MIX AND MATCH THE ABOVE VERSION WITH THOSE BELOW –
IF ANY STOCKS ARE SHOWN THEN PRODUCTION COSTS MUST BE AS ABOVE.

In the last version, candidates have (correctly) multiplied the **individual** figures of selling price, direct material and direct labour by 60 000, 80 000 and 45 000.

IF YOU SEE THE ABOVE CONTRIBUTION FIGURES, THEY ARE WORTH A TOTAL OF 9 MARKS.

© UCLES 2008

Page 7	Mark Scheme	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2008	9706	02

(c) Absorption costing

Sales	<u>2 100</u>		<u>2 800</u>		<u>1 575</u>	
Opening stock	375	1	0		875	
Production variable costs	900		2 300		600	1 of all three
Fixed costs	<u>400</u>		<u>400</u>		<u>400</u>	
	1 675		2 700		1 875	
Closing stock	<u>0</u>		<u>875</u>	1	<u>500</u>	1
	1 675		1 825		1 375	
Profit	425	1 of	975	1 of	200	1 of

Stocks are calculated on the basis of \$20 variable + \$5 fixed costs = \$25 per unit.

[7]

OTHER METHODS ARE ACCEPTABLE**(d) Reconciliation**

Profit per marginal costing	500		800		275	
+ overhead in closing stock	<u>0</u>	1	<u>175</u>	1	<u>100</u>	1
	500		975		375	
– overhead in opening stock	<u>75</u>	1	<u>0</u>	1	<u>175</u>	1
Profit per absorption costing	<u>425</u>		<u>975</u>		<u>200</u>	

Candidates may correctly reverse the order, i.e. deduct closing stock first.

[6]

[Total: 30]