UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

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

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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9706	23

1A (a) (i)

James and Gemma Income Statement (Trading and Profit and Loss) and Appropriation Account for the six month period ending 30 June 2009

Revenue (sales) 90 000 1		\$		\$		\$
Opening Inventory (Stock) 6 300 70 000 (1) 76 300 18 300 76 300 16 300 18 300 <t< td=""><td>Revenue (sales)</td><td></td><td></td><td></td><td></td><td>90 000</td></t<>	Revenue (sales)					90 000
Purchases	Less Cost of sales					
Less Closing Inventory (Stock) Cost of sales Gross Profit General expenses (Working 1) General expenses Depreciation Loan interest Frofit for the year (Net Profit) Less Salaries: James Gemma Gemma	Opening Inventory (Stock)	6 300				
Less Closing Inventory (Stock) 16 300 Cost of sales 60 000 Gross Profit 30 000 Less Expenses (Working 1) General expenses 6 000 (1) Depreciation 5 100 (1) Loan interest 1 350 (1) Profit for the year (Net Profit) 12 450 Less Salaries: 0 0 James 0 0 Gemma 3 000 (1) James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 6 000 9 000 8 550 Balance of profits shared: James 4 275 (1) Gemma 4 275 (1) Gemma 4 275 8 550 Working 1 Total expenses 25 525 8 550 Depreciation (1st Half of the Year) 5 100 Depreciation (2nd Half of the Year) 5 725 Loan Interest	Purchases	70 000	(1)			
Cost of sales 60 000 Gross Profit 30 000 Less Expenses (Working 1) General expenses 6 000 (1) Depreciation 5 100 (1) Loan interest 1 350 (1) Profit for the year (Net Profit) 12 450 Profit for the year (Net Profit) 0 Less Salaries: 0 James 0 Gemma 3 000 (1) James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1) Gemma (60 000 × 8% × 6 / 12) 9 000 8 550 Balance of profits shared: James 4 275 (1) Gemma 4 275 (1) Gemma 4 275 (1) Forma 4 275 (1) Gemma 4 275 (1) Forma 5 505 (1) Depreciation (1st Half of the Year) 5 100 Depreciation (2nd Half of the Year) 5 725 (1) Loan Interest 2 700 (45 000 × 6% = 2 700pa)						
Gross Profit 30 000 Less Expenses (Working 1) General expenses 6 000 (1) Depreciation 5 100 (1) Loan interest 1 350 (1) Profit for the year (Net Profit) 12 450 (1) Profit for the year (Net Profit) 2 400 (1) Less Salaries: 3 000 (1) James 0 (1) Gemma 3 000 (1) James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1) Gemma (60 000 × 8% × 6 / 12) 9 000 (8 550) Balance of profits shared: 9 000 (8 550) Balance of profits shared: 4 275 (1) James 4 275 (1) Gemma 4 275 (1) Bomma 5 50 Beach (1) (1 st Half of the Year) 5 100 (1) Depreciation (1 st Half of the Year) 5 725 (1) Loan Interest 2 700 (45 000 × 6% = 2 700pa	,			16 300	_	
Ceneral expenses (Working 1) Ceneral expenses 6 000 (1) Ceneral expenses 6 000 (1) Ceneral expenses 6 000 (1) Ceneral expenses C	Cost of sales					60 000
General expenses 6 000 (1) Depreciation 5 100 (1) Loan interest 1 350 (1) Profit for the year (Net Profit) 12 450 17 550 Less Salaries: James 0 Gemma 3 000 (1) James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1) Gemma (60 000 × 8% × 6 / 12) 9 000 (8 550) Balance of profits shared: 9 000 (8 550) James 4 275 (1) Gemma 4 275 (1) Total expenses 25 525 (1) Depreciation (1st Half of the Year) 5 100 (1) Depreciation (2nd Half of the Year) 5 725 (1) Loan Interest 2 700 (45 000 × 6% = 2 700pa)	Gross Profit					30 000
Depreciation 5 100 (1) Loan interest 1 350 (1) 12 450 Profit for the year (Net Profit) 12 450 Profit for the year (Net Profit) 12 450 Less Salaries: James 0 Gemma 3 000 (1) Less Interest on capital: James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1) Balance of profits shared: James 4 275 (1) Gemma 4 275 (1) Gemma 4 275 (1) Balance of profits shared: James 4 275 (1) Gemma 4 275 (1) Balance of profits shared: James 5 550 Balance of profits shared: James 4 275 (1) Balance of profits shared: James 5 550	Less Expenses (Working 1)					
Depreciation 5 100 (1) Loan interest 1 350 (1) 12 450 Profit for the year (Net Profit) 12 450 Profit for the year (Net Profit) 12 450 Less Salaries: James 0 Gemma 3 000 (1) Balance (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1) Balance of profits shared: James 4 275 (1) Gemma 4 275 (1) Gemma 4 275 (1) Balance of profits shared: James 4 275 (1) Gemma 4 275 (1) Balance of profits shared: James 4 275 (1) Balance of profits shared: James 4 275 (1) Balance of profits shared: James 4 275 (1) Balance of profits shared:	General expenses			6 000	(1)	
Loan interest 1 350 (1) Profit for the year (Net Profit) 12 450 Less Salaries: 3000 (1) James 3 000 (1) Gemma 3 000 (1) Less Interest on capital: 3 600 (1) James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 3 600 (1) Balance of profits shared: 9 000 (8 550) Balance of profits shared: 4 275 (1) James 4 275 (1) Gemma 4 275 (1) Working 1 5 100 Depreciation (1st Half of the Year) 5 100 Depreciation (2nd Half of the Year) 5 725 (1) Loan Interest 2 700 (45 000 × 6% = 2 700pa)				5 100		
Profit for the year (Net Profit) 17 550 Less Salaries: 0 James 0 3 000 (1) Gemma 3 000 (1) 3 000 (1) Less Interest on capital: 3 000 (1) James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1) Balance of profits shared: 3 9 000 James 4 275 (1) Gemma 4 275 (1) Gemma 4 275 (1) Balance of profits shared: 3 4 275 (1) Gemma 4 275 (1) Balance of profits shared: 3 4 275 (1) Gemma 4 275 (1) Balance of profits shared: 3 2 5 525 5 5 525 5 5 525 Depreciation (1st Half of the Year) 5 705 45 000 × 6	Loan interest			1 350		
Less Salaries: James 0 Gemma 3 000 (1) Less Interest on capital: James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1) 6 000 8 550 Balance of profits shared: James 4 275 (1) Gemma 4 275 (1) Gemma 4 275 8 550 Working 1 Total expenses 25 525 Depreciation (1st Half of the Year) 5 100 Depreciation (2nd Half of the Year) 5 725 Loan Interest 2 700 45 000 × 6% = 2 700pa						12 450
James 0 Gemma 3 000 (1) Less Interest on capital: 3 600 (1) James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1) Balance of profits shared: 9 000 8 550 Balance of profits shared: 4 275 (1) James 4 275 (1) Gemma 4 275 8 550 Working 1 Total expenses 25 525 Depreciation (1st Half of the Year) 5 100 Depreciation (2nd Half of the Year) 5 725 Loan Interest 2 700 45 000 × 6% = 2 700pa	Profit for the year (Net Profit)					17 550
Semma 3 000	Less Salaries:					
Comman C	James			0		
Less Interest on capital: James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 2 400 (1)	Gemma			3 000	(1)	
James (90 000 × 8% × 6 / 12) 3 600 (1) Gemma (60 000 × 8% × 6 / 12) 6 000 Balance of profits shared: 9 000 James 4 275 (1) Gemma 4 275 Working 1 8 550 Total expenses 25 525 Depreciation (1st Half of the Year) 5 100 Depreciation (2nd Half of the Year) 5 725 Loan Interest 2 700 45 000 × 6% = 2 700pa				3 000		
Semma (60 000 × 8% × 6 / 12)	Less Interest on capital:					
Second	James (90 000 × 8% × 6 / 12)	3 600	(1)			
9 000 8 550	Gemma (60 000 × 8% × 6 / 12)	2 400	(1)			
Balance of profits shared: James				6 000	_	
Balance of profits shared: James 4 275 (1) Gemma 4 275 8 550 Working 1 25 525 5 100 Depreciation (1st Half of the Year) 5 100 Depreciation (2nd Half of the Year) 5 725 Loan Interest 2 700 45 000 × 6% = 2 700pa						9 000
James 4 275 (1) Gemma 4 275 8 550 Working 1 25 525 525 Depreciation (1st Half of the Year) 5 100 5 725 Depreciation (2nd Half of the Year) 5 725 2 700 45 000 × 6% = 2 700pa						8 550
Working 1 Total expenses25 525 Depreciation (1st Half of the Year) Depreciation (2nd Half of the Year)5 100 5 725 2 70045 000 × 6% = 2 700pa	Balance of profits shared:					
Working 1Total expenses $25 525$ Depreciation (1st Half of the Year) $5 100$ Depreciation (2nd Half of the Year) $5 725$ Loan Interest $2 700$ $45 000 \times 6\% = 2 700$ pa	James			4 275	(1)	
Working 1Total expenses $25 525$ Depreciation (1st Half of the Year) $5 100$ Depreciation (2nd Half of the Year) $5 725$ Loan Interest $2 700$ $45 000 \times 6\% = 2 700$ pa	Gemma			4 275	_	
Total expenses $25 525$ Depreciation (1st Half of the Year) $5 100$ Depreciation (2nd Half of the Year) $5 725$ Loan Interest $2 700$ $45 000 \times 6\% = 2 700$ pa						8 550
Total expenses $25 525$ Depreciation (1st Half of the Year) $5 100$ Depreciation (2nd Half of the Year) $5 725$ Loan Interest $2 700$ $45 000 \times 6\% = 2 700$ pa	Working 1					
Depreciation (1st Half of the Year) 5100 Depreciation (2nd Half of the Year) 5725 Loan Interest 2700 $45000 \times 6\% = 2700$ pa		25 525				
Depreciation (2 nd Half of the Year) 5725 Loan Interest 2700 $45000 \times 6\% = 2700$ pa	·					
Loan Interest <u>2 700</u> 45 000 × 6% = 2 700pa	. ,					
·			45 (000 × 6% =	= 2 70)0pa
	General Expenses		- -			•

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9706	23

(ii)

James and Gemma Income Statement (Trading and Profit and Loss) and Appropriation Account for the six month period ending 31 December 2009

	\$		\$		\$
Revenue (sales)			150 000		
Less Cost of sales					
Opening Inventory (Stock)	16 300				
Purchases	104 000	_			
			120 300		
Less Closing Inventory (Stock)			20 300	_	
Cost of Sales					100 000
Gross Profit					50 000
Less Expenses					
·					
General expenses			6 000	(1)	
Loan interest			1 350	(1)	
Depreciation			5 725	(1)	10.0==
Profit for the year (Net Profit)					13 075 36 925
					30 323
Less Salaries: James			0		
Gemma			3 000	(1)	
Centina			3 000	(')	
			0 000		
Less Interest on capital:					
James (115 000 x 8% x 6 / 12)	4 600	(1)			
Gemma (60 000 x 8% x 6 / 12)	2 400	(1)			
			7 000	-	
					10 000
					26 925
Balance of profits shared: (2 : 2 : 1)					
James			13 462.50		
Gemma			13 462.50	(1)	
				;	26 925

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9706	23

(b)

Drawings	James 15 200	(1)	Gemma 18 300	(1)	Balance b/d Interest on capital	James 12 000 8 200	(1) (1)	Gemma 9 000 4 800	(1)
Balance c/d	22 737.50		19 237.50		Salaries Share of Profit	0 17 737.50		6 000 17 737.50	(1)
	37 937.50		37 537.50			37 437.50		38 037.50	
					Balance b/d	22 737.50		19 237.50	

[6]

(c) Increased skills
Additional capital
Spread risk
Holiday / sickness cover
Shared workload
(1 each maximum of 3)

[3]

- **1B** (i) 240 000 / (18 000 + 22 000) / 2 = 12 (1) times (1)
 - (ii) 24 000 / 500 000 = 4.8 (1) % (1)

(iii) 63 000 / 64 000 = 0.98 (1) : 1 (1)

[Total: 30]

[4]

[6]

(b)

Paula Bridgewater
Income Statement (trading account) for the month of February 2009

\$

\$

Sales

182 000 **(1)**

Opening Inventory (Stock) 7 000 (1) Purchases 97 000 (1)

104 000

\$

Closing Inventory (Stock)

6 000 (1)

Cost of Sales

98 000

Gross Profit

84 000 **(1of)**

[5]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9706	23

(c) Stock should be valued at the lower of cost and net realisable value.

IAS states companies should either use the FIFO or AVCO method of stock valuation.

Whichever method is used should be used consistently – Consistency concept.

Prudence concept states that companies should choose the lowest value when valuing their assets.

Paula Bridgewater
Income Statement (trading account) for the period ending 31 December 2009

\$ \$

Sales 362 000 (1)

Opening Inventory (Stock) 11 700 (1) Purchases 22 600 (1)

34 300

Closing Inventory (Stock) 7 150 (2)

Cost of Sales 27 150

Gross Profit 9 050 (1of)

(Accept any other format or calculation)

[6]

(e) Depreciation for the period =
$$(6000 - 600) \times 20\% \times 2/12 = $180$$
 (2)
Net Book Value = 3840 (1) -180 (1of) = 3660 [4]

(f)
Total Trade Receivables (debtors)

Bal b/d	2 400	Bad debt	600 (1)
		Cash / bank	4 300 (1)
Sales	<u>6 500</u> (1)	Bal c/d	4 000 (2cf or 1of)
	8 900		<u>8 900</u> `

[5]

[Total: 30]

Page 6	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9706	23

 Cutting Department
 501 600 / 76 000
 \$6.60 (1)

 Pressing Department
 450 000 / 72 000
 \$6.25 (1)

 Production Department
 702 000 / 104 000
 \$6.75 (1)

 Assembly Department
 264 000 / 44 000
 \$6.00 (1)

[4]

(ii)

 Cutting Department
 364 800 / 76 000
 \$4.80 per DLH (1)

 Pressing Department
 439 200 / 72 000
 \$6.10 per DLH (1)

 Production Department
 509 600 / 104 000
 \$4.90 per DLH (1)

 Assembly Department
 233 200 / 44 000
 \$5.30 per DLH (1)

[4]

(b)

Statement to show total cost for Job Number SMC20

		\$	\$	
Direct materials			140 156	(1)
Direct labour				
Cutting Department		13 200		
Pressing Department		9 000		
Production Department		16 200		
Assembly Department		6 000	44 400	(1)
Prime cost			184 556	
Factory overheads				
Cutting Department	13 200 / 6.60 = 2 000 (1) × 4.80	9 600	(1)	
Pressing Department	9 000 / 6.25 = 1 440 (1) × 6.10	8 784	(1)	
Production Department	16 200 / 6.75 = 2 400 (1) × 4.90	11 760	(1)	
Assembly Department	6 000 / 6.00 = 1 000 (1) × 5.30	5 300	(1)	
			35 444	_
Cost of production			220 000	(1of)
Administration costs			44 000	(1of)
Total cost			264 000	=

[12]

Page 7	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9706	23

(c) Selling price = $264\ 000\ (1of) \times 125\%\ (1) = $330\ 000\ (1of)$

[3]

(d) Overheads tend to be related to time.

The company may be labour intensive

Using a departmental labour rate is appropriate if different grades of labour are used in each department.

(2 × 2 marks – 1 for point and 1 for development / 1 further mark for evaluation point)

[5]

(e) Single factory rate
Machine hour rate
Unit cost
% prime cost
% direct labour cost
% direct material cost
Activity based costing

(2 x 1 mark) [2]

[Total: 30]