MARK SCHEME for the October/November 2012 series

9706 ACCOUNTING

9706/21 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.
1 (a) Calculation of purchases of goods for re-sale

\[
\begin{align*}
\text{Opening trade payables} & \quad (14\,000) \\
\text{Payments to suppliers} & \quad 88\,600 \quad 1 \\
\text{Closing trade payables} & \quad 13\,600 \quad 1 \\
\text{Total goods for resale} & \quad 88\,200 \quad 1 \\
\end{align*}
\]

\[3\]

(b) Calculation of total sales

\[
\begin{align*}
\text{Opening trade receivables} & \quad (18\,000) \\
\text{Receipts from customers} & \quad 132\,900 \quad 1 \\
\text{Closing trade receivables} & \quad 20\,500 \quad 1 \\
\text{Credit sales} & \quad 135\,400 \quad 1 \\
\text{Add: cash sales} & \quad 6\,600 \quad 1 \\
\text{Total sales} & \quad 142\,000 \quad 1 \\
\end{align*}
\]

N.B. Accept creditors and debtors control accounts for marks \[5\]

(c) Calculation of stock loss

\[
\begin{align*}
\text{Total sales} & \quad 142\,000 \\
\text{Gross profit @ 40\%} & \quad 56\,800 \quad 1 \\
\text{Cost of sales} & \quad 85\,200 \quad 1 \\
\text{Closing stock} & \quad 88\,200 + 6\,000 - 85\,200 = 9\,000 \quad 2 \\
\text{Actual stock @ cost} & \quad 14\,000 \times 60\% = 8\,400 \quad 2 \\
\text{Cost of stock lost} & \quad 600 \quad 1 \quad \text{of} \\
\end{align*}
\]

\[7\]

\(\text{of} = \text{own figure}\)

(d) Asset disposal of account

\[
\begin{align*}
\text{Cost of vehicle sold} & \quad 16\,000 \\
\text{Depreciation of vehicle} & \quad 8\,000 \quad 2 \\
& \quad (16\,000 \times 25\% \times 2) \\
\text{Profit on disposal} & \quad 600 \quad 1 \quad \text{of} \\
\text{Bank} & \quad 3\,600 \quad 1 \\
\text{Trade in allowance} & \quad 5\,000 \quad 1 \\
\text{Total} & \quad 16\,600 \quad 16\,600 \quad 5
\end{align*}
\]
(e) Income statement for the year ended 30 June 2012

Sales 142 000
Opening inventory 6 000
Purchases 88 200
Closing inventory (9 000)
Cost of goods sold 85 200
Gross profit 56 800 1 of
Profit on disposal of vehicle 600 1 of
57 400

Provision for doubtful debts (20 500 × 3%) 615 1
Stock loss 600 1 of
Expenses (17 400 – 500 – 320) 16580 2
Depreciation
   Fixtures (32 000 × 10%) 3 200 1
   Motor vehicles (65 000 – 16 000 + 20 000 × 25%) 17 250 2
38 245 1 of
19 155 1 of [10]

[Total: 30]

2 (a) $ $
Balance b/d 2 600 1 Balance b/d 6 300 1
Income and expenditure 86 980 1 Bank 84 400 1
   Bad debts 280 1
Balance c/d 4 500 1 Balance c/d 3 100 1
94 080 94 080 [7]

(b) PPE Rowing Club
Income and Expenditure Account for the year ended 31 March 2012

$ $
Income Subscriptions 86 980 1 of
Profit from competitions
[12 200 – (3 100 + 800 – 300)] 8 600 4
Profit from dinner dance [14 000 – (2 400 + 5 200)] 6 400 3
Donations 1 500
Interest 500 1
103 980

Expenditure Insurance 9 800
Clubhouse maintenance 10 300
General expenses 29 800 1
Electricity 1 600
Bad debts 280 1
Depreciation 40 000 1
Loss on Sale of fixed asset 2 000 1
93 780

Surplus of income 10 200 [13]
(c) PPE Rowing Club

Statement of Financial Position at 31 March 2012

Non current assets
- Clubhouse: $150 000
- Equipment: $140 000
- Total: $290 000

Current assets
- Stock of prizes: $300
- Subs owing: $3,100
- Interest owing: $500
- Deposit account: $20 000
- Bank: $10 500
- Total: $34 400

Current liabilities
- Subscriptions in advance: $4,500
- General expenses owing: $400
- Total: $4,900

Working Capital
- $29 500
- Total: $319 500

Financed by
- Accumulated Fund: $309,300
- Surplus of income: $10,200
- Total: $319,500

Award 1 for Accumulated Fund figure of $306 300

[Total: 30]

3 (a) (i)

<table>
<thead>
<tr>
<th>Units</th>
<th>Basic</th>
<th>Deluxe</th>
<th>Super</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>X by Hours</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Total labour hours</td>
<td>12 000</td>
<td>10 000</td>
<td>4 000</td>
<td>26 000</td>
</tr>
</tbody>
</table>

(ii) \[ \text{FOHRR} = \dfrac{39 000}{26 000} \times 1 = $1.50 \text{ per DLH} \]

(iii) | Basic | Deluxe | Super |
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales price</td>
<td>$12</td>
<td>$20</td>
<td>$30</td>
</tr>
<tr>
<td>Variable cost</td>
<td>$6</td>
<td>$14</td>
<td>$16</td>
</tr>
<tr>
<td>Contribution per unit</td>
<td>$6</td>
<td>$6</td>
<td>$14</td>
</tr>
</tbody>
</table>

(iv) | Basic | Deluxe | Super |
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution per unit</td>
<td>$6</td>
<td>$6</td>
<td>$14</td>
</tr>
<tr>
<td>Labour hours</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Contribution per direct labour hour</td>
<td>$2.00</td>
<td>$1.20</td>
<td>$1.75</td>
</tr>
</tbody>
</table>

[Total: 30]
(b) Order of priority  
<table>
<thead>
<tr>
<th>Basic</th>
<th>Deluxe</th>
<th>Super</th>
</tr>
</thead>
</table>
Sales | 4 000  | 2 000 | 500   |
| Hours per unit | 3 | 5 | 8 |
Total hours | 12 000 | 10 000 | 4 000 |
Hours left | 1 | 2 | 1 |
Units | 4 000 | 1 680 | 500   |

(c) (i) **Profit Statement**

<table>
<thead>
<tr>
<th>Basic</th>
<th>Deluxe</th>
<th>Super</th>
</tr>
</thead>
</table>
Sales (units) | 4 000 | 1 680 | 500   |
Sales income | 48 000 | 33 600 | 15 000 |
Less Variable costs | (24 000) | (23 520) | (8 000) |
Total cont. | 24 000 | 10 080 | 7 000 |
Less Fixed costs | (18 000) | (12 600) | (6 000) |
Net profit/loss | 6 000 | (2 520) | 1 000 |

(ii) Estimated FC $39 000  
Actual FC 36 600  
OH underabs 2 400

(d) 
| $ |
Sales price | 100   |
Variable costs | 95    |
Contribution | 5     |

\[ \text{BEP} = \frac{10 000}{5} = 2 000 \text{ units} \] \[ = $200 000 \]

(e) \[ \text{BEP} = \frac{10 000}{5} = 2 000 \text{ units} \]  
Less sales 2 200 units  
Margin of safety 200 units  
\[ \text{Margin of safety (value)} = 20 000 \]

[Total: 30]