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Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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1 (a) Nother Limited’s Manufacturing Account for the year ended 31 March 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td></td>
<td>360</td>
</tr>
<tr>
<td>Inventory at 1 April 2013</td>
<td></td>
<td>1896</td>
</tr>
<tr>
<td>Purchases</td>
<td></td>
<td>2256</td>
</tr>
</tbody>
</table>

Inventory at 31 March 2014: (300) (1cf)
Cost of raw material consumed: 1956 (1)
Manufacturing wages (1250 + 40): 1290 (1of) label needed
Prime cost: 3246
Factory expenses (780 (1) + 112 (1)): 892
Provision for depreciation
  Premises: 10 (1)
  Machinery: 18 (2) or 21 (1)
Loss on sale of machine (44 – 24 – 14): 6 (1cf) 926 (1cf)
Work in progress (210 – 220): (10)
Factory cost of production: 4162

Own figure marks are awarded with no aliens.
Treat revenue as an alien if used in the manufacturing account, lose prime cost mark but all other marks are available – potential maximum 9 marks.
Award marks for raw material cost, manufacturing wages and overheads irrespective of direction.
Work in progress must be the final figure to be rewarded. [10]

(b) Nother Limited’s Income Statement for the year ended 31 March 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (5054 –14)</td>
<td>5040 (1cf)</td>
</tr>
<tr>
<td>Finished goods</td>
<td></td>
</tr>
<tr>
<td>Inventory at 1 April 2013</td>
<td>432</td>
</tr>
<tr>
<td>Cost of production</td>
<td>4594</td>
</tr>
<tr>
<td></td>
<td>4162 (1of)</td>
</tr>
</tbody>
</table>

Inventory at 31 March 2014: (480) 4114
Gross profit (must be labelled): 926 (1of)
Administrative expenses (80 (1) – 8 (1)): 72
Sales expenses (416 (1) + 56 (1)): 472
Bad debts written off: 16
Increase in provision for doubtful receivables (42 (1) – 36 (1)): 6 566
Profit for the year (must be labelled): 360 (1of)

Own figure marks are awarded with no aliens.
If retained earnings are entered before profit for the year treat as alien therefore no own figure marks for profit for the year.
Loss on disposal is not to be treated as an alien in the expenses. [10]
(c) (i) Direct costs – can be directly traced to a product unit. (1)

Examples –
- Direct materials (1)
- Direct labour (1)
- Direct expenses (1)

Maximum 1 for example [2]

(ii) Indirect costs – cannot be economically traced to a product unit. (1)

Examples –
- Indirect wages (1)
- Indirect materials (1)
- Depreciation of factory machinery (1)
- Insurance (1)
- Power (1)
- Other suitable examples

Maximum 2 for examples [4]

(iii) Prime cost – total of all direct expenses. (1) Must refer to total.

Direct materials + direct labour (+ direct expenses) (1) [2]

(iv) Production cost – total cost of producing the goods in the factory. (1) Must refer to total.

Prime cost + factory overheads ± work in progress adjustment (1) Must include work in progress. [2]

[Total: 30]
2 (a)  

Bill and Charles  

Calculation of partnership profit for the year ended 31 December 2013

Decrease in current account balances: (14,840) (1cf)
Bill ($17,000 – 2,160) (20,800) (1cf)
Charles ($18,000 + 2,800) (35,640)

Add: drawings (2 × $24,000) 48,000 (1 + 1)
Profit for the year 12,360 (1of) no aliens

Alternative answer – Profit for the year – 83,640 (4)
If calculation includes capital accounts treat as alien and no own figure marks for profit for the year.
If only one partner is considered maximum of 2 marks (opening balance and drawings).
Award 2 marks for drawings irrespective of direction. [5]

(b)  

Bill | Charles | Bill | Charles
---|---|---|---
$ | $ | $ | $
Goodwill | 28,800 (1) | 19,200 (1) | Balance b/d 144,000 | 60,000 (1 both)
Balance c/d | 147,200 | 56,800 | Goodwill 32,000 (1) | 16,000 (1)

176,000 | 76,000 | 176,000 | 76,000

Balance b/d 147,200 (1of) 56,800 (1of)

Bill’s balance b/d may be shown as 120,000 + 24,000. Still award 1 mark for both partners’ opening balances. Must be T account format or three column running balance.

Alternative answer

Capital Accounts – Bill

$ | $
Goodwill | 28,800 (1) | Balance b/d 144,000
Balance c/d | 147,200 | Goodwill 32,000 (1)

176,000 | 176,000

Balance b/d 147,200 (1of)

Capital Accounts – Charles

Charles | Charles
Goodwill | 19,200 (1) | Balance b/d 60,000 (1 both)
Balance c/d | 56,800 | Goodwill 16,000 (1)

76,000 | 76,000

Balance b/d 56,800 (1of)
(c) 

$ 
Profit for the year 12000 (1cf) 

Add interest on drawings

<table>
<thead>
<tr>
<th></th>
<th>Bill</th>
<th>Charles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on drawings</td>
<td>1320</td>
<td>1320</td>
</tr>
<tr>
<td>Sum</td>
<td>2640</td>
<td>(1cf for both)</td>
</tr>
</tbody>
</table>

Less 14640

Interest on capital

<table>
<thead>
<tr>
<th></th>
<th>Bill</th>
<th>Charles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on capital</td>
<td>5888 (1of)</td>
<td>2272 (1of)</td>
</tr>
<tr>
<td>Sum</td>
<td>8160</td>
<td></td>
</tr>
</tbody>
</table>

Salary

<table>
<thead>
<tr>
<th></th>
<th>Bill</th>
<th>Charles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>3000</td>
<td>2600</td>
</tr>
<tr>
<td>Sum</td>
<td>5600</td>
<td>(1cf)</td>
</tr>
</tbody>
</table>

Share of profit

<table>
<thead>
<tr>
<th></th>
<th>Bill (½)</th>
<th>528 (1of)</th>
<th>Charles (½)</th>
<th>352 (1of)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum</td>
<td></td>
<td>880</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interest on capital

Award own figure marks if closing capital account balance from (b) × 8% × 6 months. Award '0' marks if interest on capital is calculated on opening balances – Bill – 5760 Charles 2400. 

Own figure marks for share of profit/loss must be candidates own figure shared in the correct ratio. 

[7]

(d) 

Current account – Bill

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on drawings</td>
<td>1320 (1of)</td>
<td>Balance b/d 2160 (1)</td>
</tr>
<tr>
<td>Drawings</td>
<td>12000 (1)</td>
<td>Salary 3000 (1of)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest on capital 5888 (1of)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Share of profit 528 (1of)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balance c/d 1744</td>
</tr>
<tr>
<td>Sum</td>
<td>13320</td>
<td>13320</td>
</tr>
</tbody>
</table>

Balance b/d 1744 (1of) no aliens

Interest on drawings, interest on capital, salary and share of profit/loss must relate to the candidates own figures from part (c). 

[7]
(e) (i) To try to limit partners’ drawings (1)  
   Reward partner with lower drawings (1)  
   Ensure cash is retained in the business (1)  

Maximum 2 ________________________________ [2]

(ii) Reward the partner for business investment (1)  
   Encourage partners to introduce more capital (1)  
   Reward partners for the lost opportunity cost of capital invested (1)  

Maximum 2 ________________________________ [2]

[Total: 30]

3 (a)  

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Machining</th>
<th>Assembly</th>
<th>Stores</th>
<th>Canteen n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect wages</td>
<td>232 000</td>
<td>61 867</td>
<td>123 733</td>
<td>30 933</td>
<td>15 467</td>
</tr>
<tr>
<td>Machine maintenance</td>
<td>94 000</td>
<td>87 935</td>
<td>6 065</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine insurance</td>
<td>9 020</td>
<td>6 380</td>
<td>2 640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent and rates</td>
<td>49 600</td>
<td>19 840</td>
<td>22 320</td>
<td>4 960</td>
<td>2 480</td>
</tr>
<tr>
<td>Buildings insurance</td>
<td>12 800</td>
<td>5 120</td>
<td>5 760</td>
<td>1 280</td>
<td>6 40</td>
</tr>
<tr>
<td>Machine depreciation</td>
<td>26 600</td>
<td>18 815</td>
<td>7 785</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>424 020</td>
<td>199 957</td>
<td>168 303</td>
<td>37 173</td>
<td>18 587</td>
</tr>
<tr>
<td>(1cf)</td>
<td>5 576</td>
<td>10 225</td>
<td></td>
<td>2 788</td>
<td>(18 587)</td>
</tr>
<tr>
<td>(1of)</td>
<td>33 126</td>
<td>6 835</td>
<td></td>
<td>(39 961)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>238 659</td>
<td>185 361</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All marks are for the complete line.  
Own figure marks for Canteen and Stores must be in correct ratios. __________________________ [8]

(b) Machining: [$238 659/46 400] (1of) = $5.14 [per machine hour] (1 for narrative)  

Assembly: [$185 361/28 600] (1of) = $6.48 [per direct labour hour] (1 for narrative)  

Do not accept ‘per hour’ for narrative marks. __________________________ [4]

(c)  

<table>
<thead>
<tr>
<th></th>
<th>Machining</th>
<th>Assembly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual overhead ($)</td>
<td>239 110</td>
<td>192 860</td>
</tr>
<tr>
<td>Absorbed $5.14 \times 49 120</td>
<td>252 477</td>
<td></td>
</tr>
<tr>
<td>Absorbed $6.48 \times 28 150</td>
<td></td>
<td>18 2412</td>
</tr>
<tr>
<td>$13 367 (1of)</td>
<td></td>
<td>$10 448</td>
</tr>
</tbody>
</table>
| Over absorbed (1of)      |           | Under absorbed (1of) | [4]  

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(d) Machining department
$451 more overhead incurred than budgeted (1)
2720 more machine hours worked than were budgeted (1)

Assembly department
$7499 more overhead incurred than budgeted (1)
450 fewer labour hours worked (1)

One mark per department.
To award marks there must be reference to the individual departments (do not reward generic answers). [2]

(e) $ Direct materials 14.10 (1)
    Direct labour machining (7.80 × 50/60) 6.50 (1)
    Direct labour assembly (6.30 × 12/60) 1.26 (1)
    Overheads machining department (5.14 × 30/60) 2.57 (1 of)
    Overheads assembly department (6.48 × 12/60) 1.30 (1 of)

    25.73

    × 250 units = 6432.50
    Mark-up $6432.50 × (35/65) 3463.65 (1 of)
    Total invoice value 9896.15

Alternative answer

| $ | Direct materials 3525.00 (1) |
| Direct labour machining 1625.00 (1) |
| Direct labour assembly 315.00 (1) |
| Overheads machining department 642.50 (1 of) |
| Overheads assembly department 324.00 (1 of) |

    6431.50

    Mark-up $6431.50 × (35/65) 3463.12 (1 of)
    Total invoice value 9894.62

Own figure marks for overheads must relate to the candidates’ answer to part (e).
Allow for roundings. [6]

(f) 1. Allocation – Directly attributable costs (1) are allocated to the relevant department. (1)

2. Apportionment – Costs that cannot be directly attributed to a department (1) are apportioned on an equitable basis. (1)

3. Absorption – Total costs (1) that have been allocated and apportioned to a department are absorbed into products on the basis of the product’s use of the overheads. (1) [6]

[Total: 30]