

#### **CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International Advanced Subsidiary and Advanced Level

## MARK SCHEME for the May/June 2015 series

## 9706 ACCOUNTING

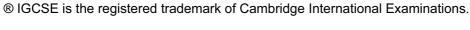
9706/22 Paper 2 (Structured Questions – Core), maximum raw mark 90

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.

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22	0777898626

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### 1 (a) Calculating opening capital

Non-current assets  $(38\ 400 - 12\ 600\ +41\ 940 - 22\ 680) = 45\ 060\ (1)$  Current assets  $(26\ 610\ +33\ 500\ +3750\ +360) = 64\ 220\ (1)$  Current liabilities  $(19\ 920\ +410) = 20\ 330\ (1)$  Bank  $4110\ (1)$  Opening capital  $93\ 060\ (1of)$ 

[5]

[1]

cf

[1]

(c) Closing inventory 
$$(\$33500 + \$136420) = \$169920(1)$$
**OF**  $-(\$208580 \times 70\%) = \frac{\$146006}{1}$ **(1)OF**  $= \$23914$ **(1)OF**

[3]

(d) Cash account Dr Cr \$ \$ 360 9 675) Balance b/d Cash sales banked Sales **Drawings** 15 180 (1) 4 800) (1)for cf both Balance c/d 460 Motor expenses (bal fig) <u>605</u> (1)OF 15 540 15 540 Balance b/d 460 (1)

Marker note:

Motor expenses must be on credit side Balance b/d must be on debit side

[4]

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(e)

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	Miana		
Income statement for	r the year ended 31	December 2014 \$	\$
Revenue		Ψ	208 580 <b>(1)OF</b>
Cost of sales			
Opening inventory		33 500 <b>(1)OF</b>	
Purchases		136 420 (1) <b>OF</b>	
		169 920 `´	
Closing inventory		<u>(23 914)</u> <b>(1)</b>	<u>146 006</u>
		OF	
Gross profit (must be labeled)			62 574 <b>(1)OF</b>
Less: expenses			
Discount allowed		914 <b>(1)</b>	
Motor expenses	W1	5 495 <b>(1)OF</b>	
Property rental		22 500 <b>(1)</b>	
General expenses	W2	6 240 <b>(1)</b>	
Wages and salaries		26 150 <b>(1</b> )	
Depreciation motor vehicles	W3	8 775 <b>(3)</b>	
Depreciation fixtures and fittings	W4	2 889 <b>(1)</b>	
Loss on sale of motor vehicle	W5	<u>800</u> (2)	73 763
Loss for the year		(-/	(11 189)
•			<del></del>

# Workings

W1	Motor expenses	\$4890 + \$605 = \$5495 <b>(1) OF</b>
W2	General expenses	\$6650 - \$410 = \$6240 <b>(1)</b>
W3	Depreciation motor vehicles	$((\$38\ 400 + \$18\ 300 - \$16\ 000) = 40\ 700\ (1)$
		- (\$12 600 -\$7000) = \$5600 <b>(1)</b> )
		× 25% = \$8775 <b>(1)OF</b>
W4	Depreciation fixtures and fittings	(\$41 940 – \$22 680) × 15% = \$2889 <b>(1)</b>
W5	Loss on sale of motor vehicle	$(\$16\ 000 - \$7000) = \$9\ 000\ (1)OF - \$8200$
		= \$800 <b>(1)OF</b>

[16]

[Total: 30]

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## 2 (a)

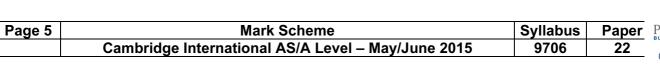
	Capita	l account – Kim	
	\$		\$
Goodwill	72 000 <b>(1)</b>	Balance	592 000 <b>(1)</b>
Balance c/d	640 000	Goodwill	120 000 <b>(1)</b>
	712 000		712 000
		Balance b/d	640 000 <b>(1)OF</b>
	Capital	account - Chan	
	\$		\$
Goodwill	48 000 <b>(1)</b>	Bank	160 000 <b>(1)</b>
Balance c/d	463 000	Equipment	325 000 <b>(1)</b>
		Inventory	<u>26 000</u> <b>(1)</b>
	511 000		511 000
		Balance b/d	463 000 <b>(1)OF</b>

## + 1 for narratives per mark scheme

[10]

Marker notes: 1. Allow columnar format.

2. Allow Goodwill: Dr Chan \$48 000 (1) Cr Kim \$48 000 (2)





(b)

# Kim and Chan Statement of financial position at 1 October 2014

Assets Non-current assets Motor vehicles Equipment (80 + 325) Fixtures and fittings	100 000 405 000 <b>(1)</b> 172 000 677 000 <b>(1)</b>
Current assets Inventory (105 + 26) Trade receivables Cash and cash equivalents (160 on it's own get (1))	131 000 <b>(1)</b> 343 000 <b>(1)</b> 144 000 <b>(2)</b> 618 000
Total assets	1 295 000
Capital and liabilities Capital – Kim Chan	640 000 <b>(1)OF</b> 463 000 <b>(1)OF</b> 1 103 000
Current liabilities Trade payables	192 000
Total capital and liabilities	<u>1 295 000</u> <b>[8]</b>

#### Marker notes: 1. Capital a/c balances must be split.

2. If capital accounts corrupted by profit/drawings then 10F mark only

#### (c) more capital.

range of knowledge, experience, expertise can share ideas and problems. can share the workload/responsibilities. can cover for each other. can share any losses improves decision making

[1 mark per valid point to max of 3]

[3]

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(d) increase in credit sales/more credit customers/increase in debtors(trade receivables) deteriorating economic situation less efficient credit control procedures state of aged debtors' list past experience.

Marker note: no marks for prudence/matching/accruals

[Max 5] [5]

(e) \$350 000 (1) × 2% = provision of \$7000 \$350 000 × 5% = provision of \$17 500 Increase is \$10 500. (1)

[2]

(f) Decreases the profit for the year (1)

Decreases the trade receivables in the current assets in statement of financial position (1) [2]

Marker note: allow trade receivables, current assets or net current assets *only* for statement of financial position.

[Total: 30]

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3 (a)

•	Basis	Total	Machining	Finishing	Maintenance	Canteen	
	\$	\$	\$	\$	\$	\$	
Power	kw	32 000	16 000	8 000	5 333	2 667	(1)
rowei	hrs						
Machine	Nbv	28 400	22 089	3 944	2 051	316	(1)
depn							
Supervision	Emp	28 000	9 333	14 000	4 667	_	(1)
Rent and							
rates	Area	26 000	10 400	12 133	2 600	867	(1)
Buildings							
insurance	Area	11 000	4 400	5 133	1 100	367	(1)
Light and	Area	9 000	3 600	4 200	900	300	(1)
heat	_						
		134 400	65 822	47 410	16 651	4 517	
•			1 506	2 258	753	(4 517)	(1)
Canteen						( , , , ,	ÒF
					17 404		
			11 487	5 917	(17 404)		(1)
Maintenance					( ' ' '		ÒÉ
			78 815	55 585	-		-
			(1)OF	(1)OF	-		
			(.,5.	(.,5.			[10]
							r J

- (b) Machining \$78 815 / 58 000 = \$1.36 (1)OF per machine hour (1)OF Finishing \$55 585 / 42 000 = \$1.32 (1)OF per labour hour (1)OF [4]
- (c) Machining:  $$56\ 120 \times $1.36 = $76\ 323 $82\ 436 = $6113$  (1)OF under absorbed (1)OF Finishing:  $$41\ 295 \times $1.32 = $54\ 509 $56\ 980 = $2471$  (1)OF under absorbed (1)OF [4]
- (d) Machining
  - Factory overheads expenditure more than budget (1)OF
  - Machine hours used less than budget (1)OF Finishing
  - Factory overheads expenditure more than budget (1)OF
  - Labour hours used less than budget (1)OF

Marker note: If candidate calculates over absorption in (c) expenditure will be less than budget in both cases. Hours in both cases will be as per above.

[4]

(e) The total expected cost of production (1) must be known in advance (1) to enable selling prices to be calculated (1) and to ensure that expected overhead costs are fully recovered (1). Actual figures are not available (1).

[max 3]

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(f)

	\$	
Direct material	9.40 <b>)</b>	
Direct labour – machining	6.30 <b>)</b>	
Direct labour – finishing	2.20)	(1) for all
Overheads – Machining (\$1.36 × 30/60)	0.68	(1) OF
Overheads – Finishing (\$1.32 × 20/60)	0.44	(1) OF
	19.02	
	× 15 <u>0 units</u>	
Total cost	2 853	
Add: mark-up	1 284	(1) OF
Invoice value	4 137	(1) OF

#### **Alternative**

	\$	
Direct material	1410 <b>)</b>	
Direct labour – machining	945)	
Direct labour – finishing	330)	(1) for all
Overheads – Machining (\$1.36 × 30/60)	102	(1) OF
Overheads – Finishing (\$1.32 × 20/60)	<u>66</u>	(1) OF
Total cost	2 853	
Add: mark-up	<u>1 284</u>	(1) OF
Invoice value	4 137	(1) OF

[5]

[5]

[Total: 30]