

Cambridge International AS & A Level Cambridge Assessment International Education Cambridge International Advanced Subsidiary and Advanced Level

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ACCOUNTING

9706/22 May/June 2019

Paper 2 Structured Questions MARK SCHEME Maximum Mark: 90

Published

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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2019 series for most Cambridge IGCSE[™], Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.



Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a guestion. Each guestion paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always whole marks (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

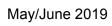
Marks must be awarded positively:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the guestion as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.







GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Question	An	swer			Marks
1(a)		ee e year ended 30 April 2019			13
	Revenue Opening inventory Purchases	\$ 12 500 <u>97 110</u> (1)	\$ 161 800	(1)	
	Less: Goods for own use Add: Carriage inwards	109 610 <u>250</u> (1) 109 360 <u>670</u> (1)			
	Less Closing inventory Cost of sales Gross profit	110 030 23 340 (1)	<u>86 690</u> 75 110		
	Decrease in provision for doubtful debts		650 75 760	_ (1)	
	Other operating expenses Loan interest Irrecoverable debts Depreciation: motor vehicles office equipment Profit for the year	-	61 990 450 690 6 000 580 6050		
1(b)(i)	Current assets Inventory Trade receivables Less: Provision for doubtful debts	44 000 (1) (2 200) (1)	41 800	(1) OF (1) OF	4

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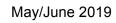
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Question	Answer				Marks
1(b)(ii)	Current liabilities]	4
	Trade payables (21 640 + 940)	22 580	(1)	-	
	3% Loan	4 000	(1)	-	
	Bank overdraft	11 240	(1)		
	Other payables	400	(1)		
		<u>38 220</u>			
1(c)	Benefits: (Max 2)				
	Entitled to all profits (1)				
	Quicker decision making (1)				
	Full control of business operations (1)				
	Drawbacks: (Max 2)				
	Unlimited liability / no separate legal entity (1)				
	All the risk / responsibilities (1)				
	Limited opportunities for new ideas (1)				
	Accept other valid points.				



Question	Answer	Marks
1(d)	Decision (1)	5
	Limited company (Max 2)	
	There would be a potential dividend cost of \$7500	
	Payment of dividends is discretionary	
	Lee retains control of the business as he is the majority shareholder	
	Partnership (Max 2)	
	Marvin's interest on capital will cost a fixed \$3000 per annum	
	Marvin is entitled to 30% of future profits but will also have to bear 30% of future losses	
	The partnership will have unlimited liability	

Question	Answer	Marks
2(a)	Dr Irrecoverable debts (1) Cr Dixie (1)	2
2(b)	$\begin{array}{rl} \$10\ 900 \times 5\% = & \$545 \ \textbf{(1)} \\ \$5\ 040 \times 7.5\% = & \underline{\$378} & \textbf{(1)} \\ & \underline{\$923} & \textbf{(2/1)OF} \end{array}$	4



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Question	Answer	Marks
2(c)	Provision for doubtful debts account	2
	2018 \$ 2018 \$ Dec 31 Income statement 177 (1) OF Jan 1 Balance b/d 1100 Balance c/d <u>923</u> 1100 1100	
	2019 Jan 1 Balance b/d 923 (1) OF	
2(d)	Prudence (1)	2
	Profit/current assets/trade receivables should not be overstated (1)	
	OR	
	Matching / accruals (1)	
	Revenue of an accounting period is matched against the costs of the same period (1)	
2(e)	Sofia's profit would now be \$4075 (4) a decrease of \$402. (1)	5
	Workings Using the existing policy the profit would be \$4477 (1) due to a decrease in the provision for doubtful debts (1) OF Under proposed change, the closing balance on the provision for doubtful debts account would be \$1325 (1).	





Question	Answer	Marks
3(a)	Companies may use different accounting policies (1)	3
	Historical cost is used to prepare accounts therefore may be misleading (1)	
	There may be different year-ends/seasonal factors (1)	
	There may be non-monetary factors to consider (1)	
	Relative size of each business (1)	
	The effect of window dressing (1)	
	Accept any other valid responses	
	Max 3 marks	
3(b)(i)	Average inventory $=\frac{\$459991}{7.5}=\61332 (1)	3
	Average inventory × 2 = \$122 664 (1)OF	
	Closing inventory = \$122 664 - \$57 682	
	= \$64 982 (1)OF	
3(b)(ii)	$\frac{(35 \times \$742630)}{365} = \$71211 (1)$	1
3(b)(iii)	$\frac{(32 \times \$367993 *)}{365} = \$32262 (1) \text{ OF}$	2
	* Credit purchases = \$459 991 × 80% = \$367 993 (1)	

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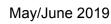
Question	Answer	
3(c)	X Limited Income Statement for the year ended 30 April 2019	3
	Revenue742 630Cost of sales(459 991)Gross profit282 639Distribution costs(148 526) (1)Administrative expenses(74 263) (1)Profit from operations59 850	
	Finance costs(2 850)Profit for the year57 000	
3(d)	\$312 500 (1) / 5 = 62 500 shares (1) × \$1.50 = \$93 750 (1)OF	3

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Question			Answ	er			Marks
4(a)	Workings:						
	Date		Kilos	Per kilo \$	lssues \$	Total \$	
	March	1 Opening balance	1500	1.90			
		3 Receipts	3500	1.92			
		5 Issues	3000	1500 × 1.90 1500 × 1.92	2850 <u>2880</u> 5730		
		0 Receipts	2000	1.95			
		7 Receipts	1500	2.00			
		23 Issues	4500	2000 × 1.92 2000 × 1.95 500 × 2.00	3840 3900 <u>1000</u> 8740		
		Closing balance	1000	× 2.00		2000	
4(a)(i)	2850 (1) + 2880 (1) = 5730						2
4(a)(ii)	3840 (1) + 3900 (1) + 1000 (1)	= 8740					3
4(a)(iii)	2000 (1)						1





Question Marks Answer 4(b) 2 Easy to calculate (1) Inventory value is closer to current market value (1) An accepted method of valuing inventory for the financial statements (1) Max 2 marks Accept other valid points. 4(c) 6 Service cost Production cost centres centre Total Stores \$ Assembly Machining \$ \$ \$ Depreciation 9760 6 3 4 4 1 952 1 464 (1) row Heat and Light 13 850 8 3 1 0 4 155 1 385 (1) row 6 500 Machinery maintenance 5 200 1 300 (1) row -Total overheads 19 854 7 407 2849 apportioned Re-apportionment of stores (2849) **(1) row** 2 1 3 7 712 Total overhead cost <u>21 991</u> (1) OF <u>8 119</u> (1) OF

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Question	Answer		Marks
4(d)	Machining Overhead cost \$21 991 Machine hours 13 400 = \$1.64 (1) OF per	machine hour (1)	
	<u>Assembly</u> Overhead cost <u>\$8 119</u> Labour hours 6 300 = \$1.29 (1) OF per	r direct labour hour (1)	
4(e)	Direct materials (3 kilos × \$2.00) Direct labour (2.5 hours × \$4) Overheads (machining 1.5 hours × \$ 1.64) Overheads (assembly 2 hours × \$1.29) Cost per unit × 200 units Total cost Mark-up/profit (25%) Total selling price OR Direct materials Direct labour Overheads	$\begin{cases} \$ \\ 6.00 & (1) \\ 10.00 & (1) \\ 2.46 & (1) OF \\ 2.58 & (1) OF \\ 21.04 \\ \end{cases}$ $\begin{pmatrix} 4 208 & (1) OF \\ 21.04 \\ 1 052 & (1) OF \\ 5260 & (1) OF \\ \hline \$ \\ 1 200 & (1) \\ 2 000 & (1) \\ 492 & (1) OF \\ \end{cases}$	7
	Overheads Total cost Mark-up/profit (25%) Total selling price	516 (1) OF 4 208 (1) OF 1 052 (1) OF 5 260 (1) OF	



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Question	Answer	Marks
4(f)	The offer still provides a positive contribution/generates profit (1)	5
	This will result in increased overall profits for the business (1) albeit the offer price will not achieve the usual mark up of 25% (1)	
	The order will make use of existing spare capacity (1) which could be used to manufacture goods with a better mark-up (1)	
	Is this a one-off order or will the customer expect future orders at the same price (1). Other customers could also want to buy at a reduced price (1), and it could cause ill feeling with other customers (1)	
	Decision (1)	
	(1 mark) × any 4 points – Max 4 for comments	