

## 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

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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]

(b) (i) Revenue \$193 400 + \$15 180 = \$208 580 (1) [1]

(ii) Purchases \$134 750 + \$21 590 – \$19 920 = \$136 420 (1) [1]

(c) Closing inventory (\$33 500 + \$136 420) = \$169 920(1)OF  
 – (\$208 580 × 70%) = \$146 006 (1)OF  
 = \$23 914 (1)OF [3]

(d)

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

Marker note:

Motor expenses must be on credit side

Balance b/d must be on debit side

[4]

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(e)

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

### Workings

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

[16]

[Total: 30]

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2 (a)

Capital account – Kim			
	\$		\$
Goodwill	72 000 (1)	Balance	592 000 (1)
Balance c/d	<u>640 000</u>	Goodwill	<u>120 000 (1)</u>
	<u>712 000</u>	Balance b/d	<u>640 000 (1)OF</u>

Capital account – Chan			
	\$		\$
Goodwill	48 000(1)	Bank	160 000 (1)
Balance c/d	463 000	Equipment	325 000 (1)
	<u>511 000</u>	Inventory	<u>26 000 (1)</u>
		Balance b/d	<u>463 000 (1)OF</u>

+ 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)

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(b)

Kim and Chan  
Statement of financial position at 1 October 2014

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

**Marker notes: 1. Capital a/c balances must be split.  
2. If capital accounts corrupted by profit/drawings then 1OF 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]**

3 (a)

	Basis \$	Total \$	Machining \$	Finishing \$	Maintenance \$	Canteen \$	
Power	kw	32 000	16 000	8 000	5 333	2 667	(1)
	hrs						
Machine depn	Nbv	28 400	22 089	3 944	2 051	316	(1)
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 heat	Area	9 000	3 600	4 200	900	300	(1)
		134 400	65 822	47 410	16 651	4 517	
Canteen			1 506	2 258	753	(4 517)	(1) OF
					17 404		
Maintenance			11 487	5 917	(17 404)		(1) OF
			78 815	55 585			
			(1)OF	(1)OF			

[10]

(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:  $\$56\,120 \times \$1.36 = \$76\,323 - \$82\,436 = \$6\,113$  (1)OF under absorbed (1)OF  
 Finishing:  $\$41\,295 \times \$1.32 = \$54\,509 - \$56\,980 = \$2\,471$  (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)	
Direct labour – machining	6.30)	
Direct labour – finishing	2.20)	<b>(1) for all</b>
Overheads – Machining ( $\$1.36 \times 30/60$ )	0.68	<b>(1) OF</b>
Overheads – Finishing ( $\$1.32 \times 20/60$ )	<u>0.44</u>	<b>(1) OF</b>
	19.02	
	× 150 units	
Total cost	<u>2 853</u>	
Add: mark-up	<u>1 284</u>	<b>(1) OF</b>
Invoice value	<u>4 137</u>	<b>(1) OF</b>

[5]

**Alternative**

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

[5]

[Total: 30]