

**MARK SCHEME for the May/June 2010 question paper**  
**for the guidance of teachers**

**9706 ACCOUNTING**

**9706/23**

Paper 23 (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.

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**1 WORKINGS**

1 Calculation for trade receivables (debtors)

	\$		\$	
Bal b/d	46 400	Bank	424 000	
Sales	<u>393 400</u>	Trade rec.	<u>15 800</u>	<b>1of</b>
	439 800		439 800	(awarded in (d))

2 Calculation of opening capital

	\$		\$	
		Dr	Cr	
Trade payables (creditors)			29 200	
Bank			15 000	
Trade receivables (debtors)	46 400			
Inventory (stock)	24 400			
Machinery at net book value	206 400			
Capital			<u>233 000</u>	<b>1 + 1of</b>
	<u>277 200</u>		<u>277 200</u>	(awarded in (d))

3 Calculation of depreciation

Machinery at NBV 30/04/09		206 400	<b>1</b>
add machinery purchased		<u>30 400</u>	<b>1</b>
		236 800	
less NBV of Machinery sold	5 600		<b>1</b>
Machinery at NBV 30/04/10	<u>216 000</u>	<u>221 600</u>	<b>1</b>
		15 200	(awarded in (c))

(a) Calculation of ordinary goods purchased for the year

	\$			
Ordinary goods purchased for cash	228 000	<b>1</b>		
less trade payables at start	<u>29 200</u>	<b>1</b>		
	198 800			
add trade payables at end	<u>32 200</u>	<b>1</b>		
	231 000			<b>[3]</b>

(b) Calculation for sales for the year

Cost of sales				
Opening inventory (stock)	24 400	<b>1</b>		
Ordinary goods purchased	<u>231 000</u>	<b>1of</b>		
	255 400			
Less closing inventory (stock)	<u>30 600</u>	<b>1</b>		
	<u>224 800</u>	<b>1</b>		
Sales = 224 800 × 1.75 (mark-up)	393 400	<b>1</b>		<b>[5]</b>

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(c) Income statement (trading and profit and loss account)  
for the year ended 30 April 2010

	\$	\$	
Sales		393 400	<b>1of</b>
cost of sales		<u>224 800</u>	
Gross profit		168 600	
Rent (24 200 – 6200)	18 000		<b>2</b>
Insurance (14 200 – 3400)	10 800		<b>2</b>
Wages (104 200 – 28 000)	76 200		<b>2</b>
Postage	800		<b>1</b>
Electricity	8 400		<b>1</b>
Sundries	4 200		<b>1</b>
Depreciation	15 200		<b>3 + 1of</b>
Loss on disposal (5600 – 1000)	4 600	<u>138 200</u>	<b>2</b>
Profit for the year (net profit)		<u><u>30 400</u></u>	<b>[16]</b>

(d) Balance Sheet at 30 April 2010

	\$	\$	\$	
Non-current (fixed) assets				
Machinery at net book value			216 000	
Current assets				
Inventory (stock)	30 600			
Trade receivables (drs)	15 800			<b>1</b>
Prepayments	<u>9 600</u>	56 000		
Current liabilities				
Trade payables (crs)	32 200			
Bank	<u>5 400</u>	<u>37 600</u>	<u>18 400</u>	<b>1</b>
			<u><u>234 400</u></u>	
Capital at 1 May 2009			233 000	<b>1 + 1of*</b>
Profit for year (net profit)			<u>30 400</u>	<b>1of</b>
			263 400	
Drawings (28 000 + 1000)			<u>29 000</u>	<b>1</b>
			<u><u>234 400</u></u>	<b>[6]</b>

\* If capital is calculated as a residual value within the balance sheet, award **1of** if wrong value but correctly calculated.

**[Total: 30]**

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2 (a) Sales Ledger Control Account

	\$		\$	
Balance 1 April 2009	29 040	1	Sales returns	9 878
Sales	499 892	1	Bank	462 680
Bank (dishonoured cheque)	662	1	Discount allowed	21 404
			Bad debts	9 510
			Contra	1 153
			Balance 31 Mar 2010	<u>24 969</u>
	<u>529 594</u>			<u>529 594</u>
Balance 1 April 2010	24 969	1of		

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(b) (i) Amended sales ledger control account

	\$		\$	
Balance b/d	24 969		Credit note corrected	840
Dis all'd overstated	310	1	Debit bal transferred	
Sales omitted	998	1	to purchases ledger	698
Extra sales	<u>3 856</u>	1	Balance c/d	<u>28 595</u>
	<u>30 133</u>			<u>30 133</u>
Bal b/d	28 595			

[6]

OR

If candidate draws up a **new** as opposed to an **amended** SLC account, accept as follows.

	\$		\$	
Balance	29 040			
Cr sales	499 892		Cr note corrected	420
Sales omitted	998	1		
Extra sales	3 856	1		
				1 } for both
			Sales returns	9 878
			Cr note corrected	420
Bank (dis cheque)	662		Bank	462 680
Dis all overstated	310	1	Dis allowed	21 404
			Bad debts	9 510
			Contra	1 153
			Contra	698
			Balance	28 595
	534 758			1
				534 758

[6]

(ii)	\$	\$	\$	
Sales ledger total	add	less	26 845	
Sales invoice omitted	998			1
Balance omitted	2 102			1
Entry omitted	816			1
Balance understated	<u>200</u>		<u>4 116</u>	1
			30 961	
Credit note corrected		840		1
Bankrupt		896		1
Entry omitted		<u>630</u>	<u>2 366</u>	1
			<u>28 595</u>	1

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- (c) Minimize fraud/make fraud easier to find.  
 Minimize time taken to find errors/make errors easier to find.  
 Figures for total creditors/debtors easily available.  
 Sectional ledgers make checking easier.  
 Control accounts not handled by sales/purchases ledger clerk.

Any **three** answers for **2** marks each.

[6]

[Total: 30]

**3 DATA**

	Cabinet 1	Cabinet 2	Cabinet 3
Variable cost	400	240	220
Fixed cost	8 000 000	36 000 000	79 200 000
Selling price	500	480	520

**ANSWERS**

- (a)
- |  | (i)          | (ii)         |     |
|--|--------------|--------------|-----|
|  | 1 36 000 000 | 1 79 200 000 |     |
|  | 2 400 - 240  | 2 400 - 220  | [6] |
|  | 225 000      | 440 000      |     |

- (b) Difference in fixed costs divided by difference in unit contribution

$$\frac{79\,200\,000 - 36\,000\,000}{(520 - 220) - (480 - 240)} = \frac{43\,200\,000}{60} = 720\,000$$

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- (c)
- |       | Cabinet 1                  | Cabinet 2           | Cabinet 3             |                     |
|-------|----------------------------|---------------------|-----------------------|---------------------|
| Units |                            |                     |                       |                     |
| (i)   | 200 000 × (500 – 400) – 8M | × (480 – 240) – 44m | × (520 – 220) – 87.2m |                     |
|       | = \$12 000 000             | = \$4 000 000       | = \$–27 200 000       | <b>1 each max 3</b> |
| (ii)  | 250 000 × (500 – 400) – 8M | × (480 – 240) – 44m | × (520 – 220) – 87.2m |                     |
|       | = \$17 000 000             | = \$16 000 000      | = \$–12 200 000       | <b>1 each max 3</b> |
| (iii) | 300 000 × (500 – 400) – 8M | × (480 – 240) – 44m | × (520 – 220) – 87.2m |                     |
|       | = \$22 000 000             | = \$28 000 000      | = \$2 800 000         | <b>1 each max 3</b> |
- [9]

- (d) Extra fixed cost divided by (unit contribution on cabinet 2 less contribution on cabinet 1)

$$\frac{36\,000\,000}{(480 - 240) - (500 - 400)} = 257\,143$$

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- (e) Unit selling price remains constant.  
Unit variable costs remain constant.  
Sales mix remains constant.  
Total fixed costs do not change.  
There are no semi-variable costs.  
All production is sold.

Any **four** correct for **1** mark each.

**[4]**

**[Total: 30]**