

**MARK SCHEME for the May/June 2011 question paper  
for the guidance of teachers**

**9706 ACCOUNTING**

**9706/23**

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 must be read in conjunction with the question papers and the report on the examination.

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<b>1 (a)</b>		\$	\$	
	Net profit		80 000	<b>1</b>
	LESS			
	1 Inventory	7 000		<b>2</b>
	2 Interest	8 000		<b>1</b>
	3 Depreciation	27 000		<b>1</b>
	4 Repairs	10 000		<b>1</b>
	5 Bad debts	<u>3 600</u>		<b>1</b>
			<u>55 600</u>	
			24 400	
	ADD			
	4 Depreciation		<u>1 000</u>	<b>2</b>
	<u>CORRECTED NET PROFIT</u>		25 400	[9]

**(b) Corrected balance sheet at 30 April 2011**

		\$	\$	\$
	Non-current assets			
	Buildings at valuation		300 000	
	Equipment (54000 – 27000)		513 000	<b>1</b>
	Motor vehicles (330000 – 10000 + 1000)		<u>321 000</u>	<b>2</b>
			1 134 000	
	Current Assets			
	Inventory (70000 – 7000)	63 000		<b>1</b>
	Trade receivables (19000 – 3600)	15 400		<b>1</b>
	Other receivables	2 000		
	Cash and cash equivalents	<u>4 000</u>	84 400	
	Current liabilities			
	Trade payables	57 000		
	Other payables (3000 + 8000)	<u>11 000</u>	68 000	
	Net current assets		<u>16 400</u>	
			1 150 400	
	Non-current liabilities			
	Loan		<u>200 000</u>	
	Net assets		<u>950 400</u>	
	Financed by:			
	Capital at start		1 000 000	
	Add Profit for the year (Net profit)		<u>25 400</u>	<b>1 (OF)</b>
			1 025 400	
	Less drawings		<u>75 000</u>	
	Capital at end		<u>950 400</u>	[7]



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(b) Appropriation account for the year ended 30 April 2011

	\$		\$	
Net profit			48 000	
Add interest on drawings				
Robbie (18 000 × 8%)	1 440	<b>2</b>		
Liza (12 000 × 8%)	<u>960</u>	<b>2</b>	<u>2 400</u>	
			50 400	
Less interest on capital				
Robbie (90 000 × 5%)	4 500	<b>1</b>		
Liza (60 000 × 5%)	<u>3 000</u>	<b>1</b>		
			<u>(7 500)</u>	
			42 900	
Less Salary – Liza			(15 000)	<b>1</b>
			27 900	
Share of profit				
Robbie (3/5 × \$27 900)	16 740	<b>1(OF)</b>		
Liza (2/5 × \$27 900)	<u>11 160</u>	<b>1(OF)</b>		
			27 900	[9]

(c) (i) Cash book

	\$		\$	
Balance	12 000	<b>1</b>	Bank charges	250 <b>1</b>
			Dishonoured cheque	600 <b>1</b>
			Corrected CB balance	<u>11 150</u> <b>1</b>
	<u>12 000</u>			<u>12 000</u>

(ii) Bank reconciliation statement at 30 April 2011

	\$	
Bank statement balance	9 000	<b>1</b>
Less cheques not yet presented	(1 600)	<b>1</b>
Add cheques lodged not yet credited	3 750	<b>1</b>
Cash book balance	<u>11 150</u>	<b>1</b>

**OR REVERSED** (CB bal 1 150 – 3 750 + 1 600 = 9 000)

[8]

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**(d) Two marks for valid explanation to a maximum of 6 marks**

Standard practice to enter the following in the cash book after receipt of the bank statement:

- Direct debits
- Standing orders
- Bank charges
- Interest on overdrafts
- Cheques dishonoured

Timing differences

- Money lodged with the bank near the end of the month
- Cheques paid but not yet presented for payment
- Cheques received but not yet credited by the bank
- Errors in recording by the bank and/or the business

[6]

**[Total: 30]**

<b>3</b>	<b>(a)</b>	<b>(i)</b> $(400 \text{ hours} \times 6) \times 80\% =$	1,920 cars	<b>2</b>	
		<b>(ii)</b> $\$(1.00 + 0.50 + 0.05 + 1.25) = \$2.80 \times 1,920 \text{ cars} =$	\$5 376	<b>2</b>	
		<b>(iii)</b> $(\text{Variable costs } 5376 + \text{Fixed costs } 3840) =$	\$9 216	<b>2</b>	
		<b>(iv)</b> $\$9216 / 1920 \text{ cars} =$	\$4.80 per car	<b>2</b>	
		<b>(v)</b> $\text{Price per car} = \$(4.80 + 25\%)$	\$6.00	<b>2</b>	
		<b>(vi)</b> $(6 \times 1920) = 11\,520 - 9216$	\$2 304	<b>2</b>	[12]
	<b>(b)</b>	<b>(i)</b> $\text{SP} - \text{VC} = \$(6.00 - 2.80) = \$3.20 \text{ per car wash}$		<b>2</b>	
		<b>(ii)</b> $\text{BEP} = \$3840 / \$3.20 = 1200 \text{ cars}$		<b>2</b>	
		<b>(iii)</b> $\text{In dollars} = (1920 - 1200) = 720 \text{ cars} \times \$6 = \$4320$		<b>2OF</b>	
		<b>(iv)</b> $\text{In cars} = 1440 \text{ cars less } 1200 \text{ cars} = 240 \times \$6 = \$1440$		<b>2OF</b>	
		<b>(v)</b> $\$(3.20 / 6.00) \times 100 = 53.33\%$		<b>2OF</b>	[10]

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(c) (i) BEP = FC/c = \$3240 / 2.40 = 1350 cars 2  
 BEP in dollars = 1350 cars × \$6 = \$8100 2 [4]

1

(ii)  $(400 \text{ hours} \times \$6) \times 70\% = \frac{2400 \times 70}{100} = 1\,680 \text{ cars}$

Profit = Actual – Break-even  
 $(1680 - 1350) = 330 \times c$

1      1      1

$= 330 \times \$2.40 = \$792$  [4]

**ALTERNATIVE**

	\$
Sales	10 080
VC 6048	
FC <u>3240</u>	<u>9288</u>
 PROFIT	 792

**[Total: 30]**