

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Subsidiary and Advanced Level

MARK SCHEME for the October/November 2014 series

9706 ACCOUNTING

9706/21

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.

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1 (a)

	\$		\$	
Profit for the year			250 000	
ADD			12 000	(2)
Credit note			<u>262 000</u>	
LESS				
Inventory	3 750	(2)		
Interest	2 000	(1)		
Repairs (+ 500 – 2000)	1 500	(2)		
Motor vehicle insurance (–14 800 + 13 000)	1 800	(2)		
Irrecoverable debts	<u>8 000</u>	(1)	<u>17 050</u>	
Corrected profit for the year			<u>244 950</u>	[10]

(b)

Chen Ya Wen
Corrected Statement of Financial Position at 31 May 2014

	\$		\$		\$
Non-current assets					
Buildings at valuation					500 000
Equipment at net book value					240 000
Motor vehicles at net book value (–2000 + 500 – 16 000)					<u>382 500</u> (3)
					<u>1 122 500</u>
Current assets					
Inventory (55 000 – 6000 + 2250)	51 250	(2)			
Trade receivables (34 000 – 8000)	26 000	(2)			
Other receivables (4000 + 13 000 + 1200)	18 200	(1)			
Cash and cash equivalents	<u>2 000</u>	(1)			<u>97 450</u>
Total assets					<u>1 219 950</u>
Capital and liabilities					
Capital (opening)			900 000		
Add profit for the year			<u>244 950</u>	(1)OF	
			1 144 950		
Less drawings			<u>75 000</u>		1 069 950
Non-current liabilities					
Loan					100 000
Current liabilities					
Trade payables (52 000 – 12 000)	40 000	(1)			
Other payables (8000 + 2000)	<u>10 000</u>	(1)			<u>50 000</u>
Total capital and liabilities					<u>1 219 950</u>

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(c)

Cash book			
	\$		
Balance	8 000	(1)	Bank charges
Dividends	450	(1)	Dishonoured cheque
			Corrected CB balance
	8 450		7 100
			8 450

[4]

(d)

Bank reconciliation statement at 31 July 2014

	\$		
Bank statement balance	5 600	(1)	
Less cheques not yet presented	(2 000)	(1)	
Add cheques lodged not yet credited	3 500	(1)	
Cash book balance	7 100	(1)	Fig. + words

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[Total: 30]

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2 (a)

Partners' capital accounts

	A	B	C		A	B	C
				Bal. b/d	38 500	27 600	
				Cash			100 000 (1)
Goodwill	60 000 (1)	30 000 (1)	30 000 (1)	Goodwill	80 000 (1)	40 000 (1)	
Bal. c/d	58 500	37 600	70 000 (1)OF				
	<u>118 500</u>	<u>67 600</u>	<u>100 000</u>		<u>118 500</u>	<u>67 600</u>	<u>100 000</u>
				Bal. b/d	58 500	37 600	70 000

[7]

(b)

Appropriation account

Net profit before adjustment			325 000
Bad debt recovered		5 000 (1)	
Bad debt		(15 000) (1)	
Drawings		<u>2 500 (2)</u>	<u>(7 500)</u>
Adjusted net profit			317 500
Add: Interest on drawings	A	<u>1 230 (1)</u>	<u>1 230</u>
			318 730
Deduct: Salaries	A	30 000	
	B	30 000	
	C	<u>30 000 (1)</u>	(90 000)
Interest on capital	A	4 680 (1) of	
	B	3 008 (1) of	
	C	<u>5 600 (1) of</u>	<u>(13 288)</u>
			<u>215 442</u>
Profits	A	107 721 (1) of	
	B	53 860 (1) of	
	C	<u>53 861 (1) of</u>	<u>215 442</u>

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(c)

Partners' current accounts

	A	B	C		A	B	C
Drawings	70 500 (1)	46 900 (1)	37 250 (2)	Bal. b/d	4 250	2 975	(1)
Int. on draws	1 230 (1)			Salaries	30 000	30 000	30 000 (1)
				Int. on cap	4 680	3 008	5 600 (1)OF
				Profits	107 721	53 860	53 861 (1)OF
Bal. c/d	74 921	42 943	52 211 (1)OF				
	<u>146 651</u>	<u>89 843</u>	<u>89 461</u>		<u>146 651</u>	<u>89 843</u>	<u>89 461</u>
				Bal. b/d	74 921	42 943	52 211 (1)OF

[11]

[Total: 30]

3 (a) Contribution per unit

	Ess		Tee		Ewe	
	\$	\$	\$	\$	\$	\$
Selling price		22		28		31 (1 for all 3)
Variable costs						
Direct materials	6		6		8	
Direct labour	8		10		12	
Overheads (1 for each total marginal cost)	4	18(1)	5	21(1)	6	26(1)
Contribution per unit (1 for each unit contribution)		4(1)		7(1)		5(1)

[7]

(b) Contribution per batch

	Ess	Tee	Ewe
Contribution per unit	\$4	\$7	\$5 (1 for all 3)
X Batch	3 (1)	2 (1)	5 (1)
Contribution per batch	\$12 (1)	\$14 (1)	\$25 (1)

[7]

(c) Maximum monthly profit

Production plan

Ewe	7 000	(1) Contract
Ess	19 500	(1) Maximum demand
Tee	13 000	(1) Maximum 3 for 2
Ewe	500	(1) Balance available
Total production	40 000	Maximum

		\$	
Ess	19 500 × \$4	78 000	
Tee	13 000 × \$7	91 000	
Ewe	7 500 × \$5	37 500	
Total contribution		206 500	(1)OF
Less: Fixed overheads		180 000	(2)
Profit		26 500	(1)OF

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(d) Advantages

- Enables Zumbi to meet maximum demand for Ewe. **(1)**
- Enables Zumbi to meet maximum demand for Ess. **(1)**
- Zumbi may be able to use the space saved to make another profitable product. **(1)**

Disadvantages

- Quality of product may not be as good as own **(1)**
- Supplier may not be reliable **(1)**
- May not be able to save all the costs **(1)**
- Fixed costs will now be shared among less products **(1)**

[Max 6]

- (e)** Zumbi should not purchase the product **(1)** as the purchase cost is greater than the marginal cost **(1)**

Alternatively,

Zumbi should purchase the product **(1)** as it will produce a positive contribution of \$1 **(1)**. **[2]**

[Total: 30]