As part of CIE's continual commitment to maintaining best practice in assessment, CIE has begun to use different variants of some question papers for our most popular assessments with extremely large and widespread candidature, The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions are unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiner's Reports.

Question Paper	**Mark Scheme**	**Principal Examiner's Report**
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

Who can I contact for further information on these changes?
Please direct any questions about this to CIE's Customer Services team at: international@cie.org.uk

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2009 question paper

for the guidance of teachers

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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UNIVERSITY *of* CAMBRIDGE
International Examinations

Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9706	21

1 (a) Trading and Profit and Loss account for the year ended 31 March 2009

	$	$	
Sales			
less cost of sales		835 560	3
Opening stock	82 150		
add Purchases	631 090		4
	713 240		
less Closing stock	76 500	636 740	
Gross profit		198 820	1 of
Discount received		19 000	1
		217 820	
less Expenses			
Rent & rates	12 590		
Electricity	17 145		
Advertising	19 325		
Wages	65 100		
Sales commission	14 250		
Depreciation	13 500	141 910	1
Net profit		75 910	1 + 1 of [12]

(b) Balance Sheet at 31 March 2009

Fixed assets				
Premises			200 000	
Fixtures			18 000	
Vehicles			22 500	
			240 500	1
Current assets				
Stock	76 500			
Debtors	60 870			
Bank	17 930			
Cash	510	155 810		1
Current liabilities				
Creditors		71 200		1
Net current assets			84 610	
			325 110	
Capital at start			277 700	4
Net profit			75 910	1
			353 610	
Drawings			28 500	1
			325 110	[9]

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Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9706	21

(c) (i)

Profitability ratios	2008	2009
GP ratio	19.63 %	23.79 %
NP Ratio	5.24 %	9.08 %
RoCE	15.48 %	23.35 %
OR	17.20 %	27.34 %

OR Return on Equity **OR** Return on Total Assets **OR** Operating Expenses over Sales **OR** Fixed Asset Turnover

Any 2 for 1 mark each [2]

(ii) Liquidity ratios

Current ratio	1.19 :1	2.19 :1	1
Liquid ratio	0.53 :1	1.11 :1	1
Drs turnover	29.53 days	26.59 days	1

Any 2 for 1 mark each [2]

(iii) Correct comparisons based on the two years' ratios, with a relevant conclusion.
Total of 4 marks for comparisons and 1 for conclusion based on candidate's answers. [5]

[Total: 30]

2 A (a) (i) Without this account,
profits may be over-stated;
assets may be over-stated;
following the above, the businessman may take more as drawings than he should. [2]

(ii) Monitoring previous years' bad debts in general;
monitoring individual debtors' accounts. [2]

(iii) A bad debt should be written off when it becomes bad,
whereas a provision is set up to cover doubtful debts. [2]

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9706	21

(b) (i)

Date	Details	Dr $	Cr $	Bal $	
	Provision for doubtful debts account				
2008					
01 April	Balance b/d		8000	8000 Cr	
2009					
31 Mar	Profit and Loss	1850		6150 Cr	[3]

(ii)

	Bad debts account				
2008					
31 May	Liew	720		720 Dr	
30 June	Uriah	1625		2345	
2009					
28 Feb	Sundry debtors	300		2645	
31 Mar	Profit & Loss		2645	0	[4]

(iii)

	Bad debts recovered account				
2009					
31 March	Khalil		3000	3000 Cr	
	Profit & Loss	3000		0	[2]

Alternative presentation of (b)

(b) (i) Provision for doubtful debts account

2009				2008			
31 Mar	P & L	1850		1 Apr	Bal b/d	8000	2
	Bal c/d	6150				____	1
		8000				8000	
				2009			
				1 Apr	Bal b/d	6150	[3]

(ii) Bad debts account

2008							
31 May	Liew	720					1
30 Jun	Uriah	1625					1
2009				2009			
28 Feb	Debtors	300		31 Mar	P & L	2645	2
		2645				2645	[4]

(iii) Bad debts recovered account

2009				2009			
31 Mar	P & L	3000		31 Mar	Khalil	3000	[2]

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Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9706	21

B **(a)** Mark-up is the percentage **added** to cost to find selling price.   1

Margin is the percentage **deducted** from the selling price to find the cost price.   1

Or any other correct answer.   [2]

(b)

		$	$	
Stock at 8 June 2009			72 200	
add	Sales	19 800		2
	Drawings	700		1
	Purchases returns	510	21 010	1
			93 210	
less	Purchases	21 200		1
	Sales returns	210		2
	Water damaged	300		2
	Out of fashion	400		1
	Sale or return	950		1
	For collection	1 200	24 260	2
Correct valuation at 31 May 2009			68 950	[13]

[Total: 30]

3 (a)

		$	
Unit selling price		80	1
less costs			
Direct materials	40		1
Direct labour	8		1
Variable overheads	10		1
Fixed overheads	11	69	1
Unit profit		11	
Multiplied by		150 000	
Total annual profit		1 650 000	1 + 1 of

[7]

OR

		$	
Total selling price		12 000 000	1
less total costs			
Direct materials	6 000 000		1
Direct labour	1 200 000		1
Variable overheads	1 500 000		1
Fixed overheads	1 650 000	10 350 000	1
Total annual profit		1 650 000	1 + 1 of [7]

Page 6	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9706	21

(b)

	Normal shift		Extra shift			
	$	$	$	$		
Unit SP		75		75		2
DM	34		34			2
DL	8		10			2
VO	<u>10</u>	<u>52</u>	<u>11</u>	<u>55</u>		2
		23		20		
Units sold		150 000		50 000		
Total contribution		3 450 000		1 000 000		2
Full contribution		4 450 000				1
Fixed costs		<u>2 650 000</u>				2
Profit		1 800 000				1
Original profit		<u>1 650 000</u>				1
Additional profit		150 000				1 + 1 of [17]

(c)
1. Are extra workers available?
2. Can new workers be trained?
3. Is it worth training workers for what might be a one-off situation?
4. There may be additional costs of transport and administration to be considered.
5. Additional maintenance of equipment?
6. Can quality be maintained?
   Etc

Any three answers award 2 marks each to a maximum   [6]

[Total: 30]

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

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for the guidance of teachers

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9706/22 Paper 2 (Structured Questions – Core),
maximum raw mark 90

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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9706	22

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	$	$		
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less cost of sales		835 560	3	
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add Purchases	631 090		4	
	713 240			
less Closing stock	76 500	636 740		
Gross profit		198 820	1	of
Discount received		19 000	1	
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Wages	65 100			
Sales commission	14 250			
Depreciation	13 500	141 910	1	
Net profit		75 910	1 + 1 of [12]	

(b) Balance Sheet at 31 March 2009

	$	$	$	
Fixed assets				
Premises			200 000	
Fixtures			18 000	
Vehicles			22 500	
			240 500	1
Current assets				
Stock	76 500			
Debtors	60 870			
Bank	17 930			
Cash	510	155 810		1
Current liabilities				
Creditors		71 200		1
Net current assets			84 610	
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Capital at start			277 700	4
Net profit			75 910	1
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			325 110	[9]

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(c) (i)

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Any 2 for 1 mark each   [2]

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Total of 4 marks for comparisons and 1 for conclusion based on candidate's answers.   [5]

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(b) (i)

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(iii)

	Bad debts recovered account				
2009					
31 March	Khalil		3000	3000 Cr	
	Profit & Loss	3000		0	[2]

Alternative presentation of (b)

(b) (i)

Provision for doubtful debts account

2009				2008			
31 Mar	P & L	1850		1 Apr	Bal b/d	8000	2
	Bal c/d	6150				____	1
		8000				8000	
				2009			
				1 Apr	Bal b/d	6150	[3]

(ii)

Bad debts account

2008							
31 May	Liew	720					1
30 Jun	Uriah	1625					1
2009				2009			
28 Feb	Debtors	300		31 Mar	P & L	2645	2
		2645				2645	[4]

(iii)

Bad debts recovered account

2009				2009			
31 Mar	P & L	3000		31 Mar	Khalil	3000	[2]

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Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9706	22

B (a) Mark-up is the percentage **added** to cost to find selling price.   1

Margin is the percentage **deducted** from the selling price to find the cost price.   1

Or any other correct answer.   [2]

(b)

		$	$	
	Stock at 8 June 2009		72 200	
add	Sales	19 800		2
	Drawings	700		1
	Purchases returns	510	21 010	1
			93 210	
less	Purchases	21 200		1
	Sales returns	210		2
	Water damaged	300		2
	Out of fashion	400		1
	Sale or return	950		1
	For collection	1 200	24 260	2
	Correct valuation at 31 May 2009		68 950	[13]

[Total: 30]

3 (a) (i) Break-even in units $\dfrac{240\ 000\ \textbf{(1)}}{12\ \textbf{(1)} - 10\ \textbf{(1)}}$ = 120 000 units **(1)**

Break-even in sales value = 120 000 x $12 **(1)** = $1 440 000 **(1of)**   [6]

(ii)

	$	
Selling price	12	**(1)**
Variable costs	10	**(1)**
Contribution per unit	2	
Number of units	400 000	
Total contribution	800 000	
Fixed costs	240 000	**(1)**
Profit	560 000	**(1)**

          [4]

(iii) Margin of safety in units = 400 000 **(1)** – 120 000 = 280 000 units **(1of)**

As a percentage of sales = $\dfrac{280\ 000}{400\ 000}$ **(1of) =**   70% **(1of)**   [4]

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Page 6	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9706	22

(b)

	Plates		Cups		Saucers	
	$		$		$	
Selling price	12		18		26	
Variable costs	10		15		20	
Unit contribution	2		3	**(1)**	6	**(1)**
Number of units	400 000	**(1)**	100 000	**(1)**	360 000	**(1)**
Total contribution per product	800 000	**(1)**	300 000	**(1)**	360 000	**(1)**

Total contribution all 3 products	1 460 000	**(1of)**
less Fixed costs	480 000	**(1)**
Total profit	980 000	**(1)** [10]

(c) Additional employment available
Increased pollution
Work for local suppliers
Training for new employees
Other suitable answers
Any three appropriate answers for 2 marks each [6]

[Total: 30]