

**MARK SCHEME for the May/June 2012 question paper  
for the guidance of teachers**

**9706 ACCOUNTING**

**9706/22**

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) **Manufacturing Account for the year ended 30 April 2012**

Raw Materials		\$	\$	
Inventory (1.05.11)			20 000	1
Add Purchases of raw materials	238 000	1		
Less Purchase returns	<u>10 000</u>	1	<u>228 000</u>	
			248 000	
Less Inventory (30.04.12)			<u>56 000</u>	1
Cost of raw materials consumed			192 000	1
Direct costs				
Manufacturing wages			<u>265 000</u>	1
Prime cost			457 000	1
Factory Overhead				
Indirect factory wages (46 + 5)	51 000	2		
Insurance (14 – 7) × 70%	4 900	2		
General expenses	6 000			
Factory supervision salaries	15 000	1		
Heat and light 6 000 × 80%	4 800	2		
Depreciation (260 – 60) × 20%	<u>40 000</u>	2	<u>121 700</u>	
			578 700	
Work-in-progress				
Add inventory (1.05.11)	52 000	1		
Less inventory (30.4.12)	58 000	1	<u>(6 000)</u>	
Factory cost of production		<b>10F</b>	572 700	[19]

If Depreciation on Factory Premises, \$120 000 is included, ignore it. Factory cost of production will now be \$692 700 if all else is correct.

(b) **Income Statement for the year ended 30 April 2012**

Sales			799 000	
Less Cost of Sales				
Inventory of finished goods (1.05.11)	78 000			
Transfer value of finished goods	<u>572 700</u>			<b>10F</b>
	650 700			
Less inventory of finished goods (30.04.12)	<u>72 000</u>		<u>578 700</u>	
Gross profit			220 300	<b>10F</b>
Decrease in provision DD			<u>800</u>	1
			221 100	
Insurance	2 100	1		
Heat and light	1 200	1		
Admin expenses	33 000			
Office salaries	55 000	1		
Depreciation	20 800	1		
			112 100	
Net profit			109 000	<b>10F</b> [8]

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(c) Examples

- 1 Value of opening and closing inventory at lower of cost or net realisable value.
- 2 Depreciation of non-current assets charges the estimated amount of the asset consumed against profit.
- 3 Any other valid point, provision for depreciation, accruals/prepayments.

**One mark per valid point.**

**Not** provision for unrealised profit – must apply to Bart's accounts. [3]

**[Total: 30]**

<b>2 (a)</b>	Sales	Net profit
	200 000	12 000
	400 000	32 000
	500 000	40 000
	860 000	86 000
	Net profit	170 000 <b>1</b>

Average	42 500 <b>1</b>
Two years	85 000 <b>1</b>

[3]

(b) **Capital accounts**

	M	A		M	A
	\$	\$		\$	\$
	<b>2</b>	<b>2</b>		<b>1</b>	
Goodwill	51 000	34 000	Balance b/d	442 000	
	<b>10F</b>	<b>10F</b>		<b>1</b>	
Balance c/d	476 000	286 000	Goodwill	85 000	
			Bank		200 000 <b>1</b>
			Vehicles		94 000 <b>1</b>
			Inventory		26 000 <b>1</b>
	<u>527 000</u>	<u>320 000</u>		<u>527 000</u>	<u>320 000</u>

Balances b/d 476 000 286 000 [11]

If Mhairi's Goodwill is combined and a net figure of \$34 000 shown on credit side, award 3 marks.

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**(c) Statement of Financial Position (Balance Sheet) at 1 May 2012**

	\$	\$	
Non-current assets			
Equipment		232 000	
Fixtures		160 000	
Vehicles		<u>94 000</u>	
		486 000	<b>2</b>
Current Assets			
Inventory (86 + 26)	112 000		<b>2</b>
Trade receivables	16 000		
Bank (200 – 14)	<u>186 000</u>		<b>2</b>
	314 000		
Current liabilities			
Trade payables	<u>38 000</u>		
Net current assets		276 000	
Net assets		<u>762 000</u>	
Capital			
Mhairi		476 000	<b>1OF</b>
Aiden		<u>286 000</u>	<b>1OF</b>
		762 000	

[8]

**(d) The advantages are:**

- More capital is available;
- Different partners may have different skills that are beneficial to the business;
- The management of the business can be shared;
  - The business is more efficient
  - There are more ideas
  - The responsibility is shared, so less stress
- Losses can be shared;
- Liquidity is improved.

**Two marks per valid point to maximum of 8.**

[8]

**[Total: 30]**

<b>3 (a) Cost</b>	<b>Basis</b>	<b>Machining</b>	<b>Assembly</b>	<b>Maintenance</b>	<b>Canteen</b>
Indirect wages	Number of employees	<b>1</b> 742 000	1 102 400	169 600	106 000
Repairs and maintenance	Direct machine hours	<b>1</b> 369 000	41 000		
Rent and rates	Floor area	<b>1</b> 23 850	21 200	5 300	2 650
Machinery insurance	Machine cost	<b>1</b> 15 600	8 400		
Premises insurance	Floor area	12 600	<b>1</b> 11 200	2 800	1 400
Electricity – power	Power usage (%)	26 400	<b>1</b> 16 800	2 400	2 400
Depreciation of machinery	Machine cost	9 100	<b>1</b> 4 900		
Consumables	Consumables \$	9 550	<b>1</b> 9 800	550	1 250
Reapportionment	Canteen	39 795	<b>1</b> 68 220	<b>1</b> 5 685	(113 700)
Maintenance		<u>149 068</u>	<b>1</b> <u>37 267</u>	<b>1</b> (186 335)	
		<u>1 396 963</u>	<u>1 321 187</u>		[12]

<b>(b) Overhead rate</b>	$\frac{1\,396\,963}{202\,500}$	<b>1</b>	$\frac{1\,321\,187}{314\,500}$	<b>1</b>	
	\$6.89858	<b>10F</b>	\$4.20091	<b>10F</b>	[4]
	DMH		DLH		

Accept correct to 2 decimal places \$6.90 and \$4.20.

<b>(c)</b>		<b>Machining</b>	<b>Assembly</b>
Actual overhead		1 410 000	1 312 000
Absorbed overhead		1 345 500	1 335 600
		64 500 <b>10F</b>	23 600 <b>10F</b>
		under absorbed <b>10F</b>	over absorbed <b>10F</b>
			[4]

Accept approximations depending on use of decimal places in answers to **(b)**, around 64 777 and 23 889

**(d)** The machine department has not worked the planned hours. **10F**  
 Its actual overheads were greater than the budgeted therefore increasing overall costs. **10F**

The assembly department has worked more than the planned hours. **10F**  
 Its actual overheads were less than the budgeted therefore saving on overall costs. **10F**

**Maximum of 2 marks for each department.** [4]

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(e) Use of estimated data which could be inaccurate, leading to under/over absorption.

Over-absorption, too much overhead charged to production, overpriced and uncompetitive, fall in demand and subsequent loss of revenue/reduction in profit.

Under-absorption, insufficient overhead charged to production, lower price to customer, costs not covered and subsequent reduction in profits.

**(2 × 3 mark)**

[6]

**[Total: 30]**