

**MARK SCHEME for the October/November 2009 question paper
for the guidance of teachers**

9706 ACCOUNTING

9706/22 Paper 22 (Structured Questions), 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) The amount of a liability may be determined with some accuracy (1)
e.g. rent accrued at the year-end (or other relevant example) (1) whereas
the amount of a provision is not readily determinable (1).

Any three to a maximum of [3]

- (b) Total sales:

| | +\$000 | -\$000 | \$000 | |
|---------------------------------|------------|------------|--------------|---------------------------|
| Paid into bank | | | 2 950 | |
| Sale of furniture and equipment | | 50 | | |
| Cash used for expenses | 152 | | | |
| Cash taken for drawings | 70 | | | |
| Debtors at beginning of year | | 610 | | |
| Debtors at end of year | 400 | | | |
| Cash at beginning of year | | 6 | | |
| Cash at end of year | <u>5</u> | | | |
| | <u>627</u> | <u>666</u> | <u>(39)</u> | |
| | | | <u>2 911</u> | 1 mark for any two |

Any reasonable format is acceptable [4]

- (c) Bank account

| | \$000 | \$000 | \$000 | |
|-------------------------|-------|-------|-------|--|
| Balance b/f | | | (210) | |
| Takings (2 950 – 50) | 2 900 | | 2 690 | |
| Furniture and equipment | 50 | | 2 740 | |
| Paid creditors | | 1 750 | 990 | |
| Expenses | | 810 | 180 | |
| Interest | | 30 | 150 | |

Does not need to be in account format [3]

- (d) Trading and profit and loss account for the year ended 30 April 2009

| | \$000 | \$000 | |
|---|--------------|--------------|---------------|
| Sales | | 2 911 | (1 of) |
| Less cost of sales | | | |
| Opening stock | 1 500 | | |
| Add purchases (1 750 + 510 – 920) | <u>1 340</u> | | (2) |
| | 2 840 | | |
| Less closing stock | <u>720</u> | <u>2 120</u> | |
| Gross profit | | 791 | |
| Add profit on sale of furniture and equipment | | <u>2</u> | (1) |
| | | 793 | |
| Expenses (810 – 98 + 90 + 152) | 954 | | (3) |
| Interest paid | 30 | | (1) |
| Depreciation | | | |
| Furniture & equipment (208 – 48) × 25% | 40 | | (2) |
| Motor vehicle (12 × 25%) | 3 | | (1) |
| Provision for doubtful debts (400 × 4%) | <u>16</u> | <u>1 043</u> | (1) |
| Net loss | | <u>-250</u> | |

[12]

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(e) Summary of balance sheet at 30 April 2009

| | \$000 | \$000 | \$000 | |
|---|-----------|-------|--------------|--------------------|
| Fixed assets | | | | |
| Furniture and equipment (208 – 48 – 40) | | | 120 | (2) |
| Motor vehicle (12 – 3) | | | <u>9</u> | (1) |
| | | | 129 | |
| Current assets | | | | |
| Stock | 720 | | | |
| Debtors (400 – 16) | 384 | | | (1) |
| Bank | 150 | | | (1 of) |
| Cash | <u>5</u> | | <u>1 259</u> | |
| | | | <u>1 388</u> | |
| Financed by: | | | | |
| Capital at 1 May 2008 | | | 1 096 | |
| Motor vehicle introduced | | | <u>12</u> | (1) |
| | | | 1 108 | |
| Less | | | | |
| Net loss | 250 | | | (1 of) |
| Drawings | <u>70</u> | | <u>320</u> | (1) |
| | | | 788 | |
| Current liabilities | | | | |
| Creditors for supplies | 510 | | | |
| Creditors for expenses | 90 | | <u>600</u> | |
| | | | <u>1 388</u> | |
| | | | | [8] |
| | | | | [Total: 30] |

| | | | |
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2 (a) (i) Furniture and equipment account

| | | | | | | | | | |
|--------|-------------|--------------|-----|--------|-------------|--------------|--|-----|-------|
| | | | | | | \$000 | | | |
| 2008 | | | | 2008 | | | | | \$000 |
| 1 May | Balance b/d | 2 970 | (1) | 3 Sep | Disposal | 300 | | (1) | |
| 1 June | Bank | 540 | (1) | 2009 | | | | | |
| 3 Dec | Bank | 80 | (1) | 30 Apr | Balance c/d | <u>3 290</u> | | | |
| | | <u>3 590</u> | | | | <u>3 590</u> | | | |
| 2009 | | | | | | | | | |
| 1 May | Balance b/d | 3 290 | (1) | | | | | | [5] |

(ii) Motor vehicles account

| | | | | | | | | | |
|-------|-------------|--------------|-----|--------|-------------|--------------|--|-----|-------|
| | | | | | | \$000 | | | |
| 2008 | | | | 2009 | | | | | \$000 |
| 1 May | Balance b/d | 1 800 | (1) | 1 Feb | Disposal | 56 | | (1) | |
| 2009 | | | | 30 Apr | Balance c/d | <u>1 984</u> | | | |
| 1 Feb | Bank | 240 | (1) | | | <u>2 040</u> | | | |
| | | <u>2 040</u> | | | | <u>2 040</u> | | | |
| 1 May | Balance b/d | 1 984 | (1) | | | | | | [4] |

(iii) Provision for depreciation on furniture and equipment account

| | | | | | | | | | |
|--------|-------------|--------------|-----|--------|---------------|--------------|--|-----|-------|
| | | | | | | \$000 | | | |
| 2008 | | | | 2008 | | | | | \$000 |
| 3 Sep | Disposal | 90 | (1) | 1 May | Balance b/d | 897 | | (1) | |
| 2009 | | | | 2009 | | | | | |
| 30 Apr | Balance c/d | <u>1 136</u> | | 30 Apr | Profit & loss | <u>329</u> | | (1) | |
| | | <u>1 226</u> | | | | <u>1 226</u> | | | |
| | | | | 1 May | Balance b/d | 1 136 | | (1) | [4] |

(iv) Provision for depreciation on motor vehicles account

| | | | | | | | | | |
|--------|-------------|--------------|-----|--------|---------------|--------------|--|-----|-------|
| | | | | | | \$000 | | | |
| 2009 | | | | 2008 | | | | | \$000 |
| 1 Feb | Disposal | 42 | (1) | 1 May | Balance b/d | 840 | | (1) | |
| 30 Apr | Balance c/d | <u>1 294</u> | | 2009 | | | | | |
| | | <u>1 336</u> | | 30 Apr | Profit & loss | <u>496</u> | | (1) | |
| | | | | | | <u>1 336</u> | | | |
| | | | | 1 May | Balance b/d | 1 294 | | (1) | [4] |

(v) Disposal of furniture and equipment account

| | | | | | | | | | |
|-------|-----------|------------|-----|-------|---------------|------------|--|--------|-----|
| | | | | | | \$000 | | | |
| 2008 | | | | 2008 | | | | | |
| 3 Sep | Asset a/c | 300 | (1) | 3 Sep | Depreciation | 90 | | (1) | |
| | | | | | Bank | 132 | | (1) | |
| | | | | | Profit & loss | <u>78</u> | | (1 of) | |
| | | <u>300</u> | | | | <u>300</u> | | | [4] |

(iv) Disposal of motor vehicle account

| | | | | | | | | | |
|-------|---------------|-----------|--------|-------|--------------|-----------|--|-----|-------|
| | | | | | | \$000 | | | |
| 2009 | | | | 2009 | | | | | \$000 |
| 1 Feb | Asset a/c | 56 | (1) | 1 Feb | Depreciation | 42 | | (1) | |
| | Profit & loss | <u>6</u> | (1 of) | | Bank | <u>20</u> | | (1) | |
| | | <u>62</u> | | | | <u>62</u> | | | [4] |

| | | | |
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- (b) Depreciation is an expense used to spread the **net** cost of a fixed asset over its useful life. If, for example, a motor vehicle costing \$10 000 is expected to last for five years after which its scrap value will be \$1 000, then its net cost will be $\$(10\,000 - 1\,000) = \$9\,000$. Using straight-line depreciation, an annual charge of $\$9\,000/5 = \$1\,800$ would be made in the profit and loss account.

There are various correct answers, too numerous to show here.

[max. 5]

[Total: 30]

3 (a) (i) DATA for P235

| | MACHINE | | | |
|--------------------------------|---------|--------|--------|--------|
| | A | B | C | |
| Order quantity | 3 000 | 3 000 | 3 000 | |
| Production rate per hour | 100 | 150 | 200 | |
| Operating hours | 30 | 20 | 15 | |
| Number of operators | 4 | 5 | 6 | |
| Direct labour hours worked | 120 | 100 | 90 | |
| COSTS FOR P235 | | | | |
| | \$ | \$ | \$ | |
| Direct materials (A × 300/100) | 9 000 | 9 000 | 9 000 | (3) |
| Direct labour (Ex 10.50) | 1 260 | 1 050 | 945 | (3) |
| Variable overheads (Ex 12) | 1 440 | 1 200 | 1 080 | (3) |
| Setup | 200 | 330 | 600 | (1) |
| | 11 900 | 11 580 | 11 625 | (3 of) |

- (ii) Use machine B as it costs least.

(1 of) [14]

(b) NEW DATA FOR P235

| | MACHINE | | | |
|----------------------------|-----------|--------|-----------|--------|
| | A | B | C | |
| Order quantity | 3 000 | 3 000 | 3 000 | |
| Production rate per hour | 120 | 180 | 240 | |
| Operating hours | 25 | 16.67 | 12.50 | |
| Number of operators | 5 | 6 | 7 | |
| Direct labour hours worked | 125 | 100 | 87.50 | |
| AMENDED COSTS FOR P235 | | | | |
| | \$ | \$ | \$ | |
| Direct materials | 8 100 | 8 100 | 8 100 | (3) |
| Direct labour | 1 312.50 | 1 050 | 918.75 | (3) |
| Variable overheads | 1 500 | 1 200 | 1 050 | (3) |
| Setup | 200 | 330 | 600 | |
| | 11 112.50 | 10 680 | 10 668.75 | (3 of) |

[12]

- (c) (i) Advise use C as now cheapest.

(2 of)

- (ii) Retain additional operator as this brings costs down.

(2 of) [4]

[Total: 30]