

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

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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>
					[12]

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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

[4]

[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>

[12]

(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

[8]

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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]