

#### CAMBRIDGE INTERNATIONAL EXAMINATIONS

General Certificate of Education Advanced Subsidiary and Advanced Level

## MARK SCHEME FOR the June 2002 question papers

## 9706 ACCOUNTING

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

9706/4 Paper 4 (Problem Solving), maximum raw mark 120

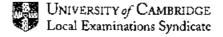
These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the Report on the Examination.

CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the June 2002 question papers for most IGCSE and GCE Advanced (A) and Advanced Subsidiary (AS) Level syllabuses.





**JUNE 2002** 

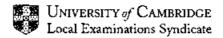
### GCE ADVANCED SUBSIDIARY AND ADVANCED LEVEL

# **MARK SCHEME**

IMANAMIUMI MANBAK : 200

**SYLLABUS/COMPONENT: 9706/2** 

**ACCOUNTING** 



			1 -
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1 (a)	Profit & Loss & Approp		accour 99	nts for y 20		ndeđ 3 20		st
		\$000	\$000	\$000	\$000			
	Sales	\$000	450	<b>\$000</b>	510	\$000		4
	C of Sales						640 577	1
	G Profit		<u>350</u> 100		<u>423</u> 87		<u>577</u>	1
	Rent	10	100	4.4	97	40	63	4
	General expenses	53		11		12		1
	Depreciation	3		60 4		66		1
	Loan interest paid	J	88	4	75	7	00	1
	Net profit		<u>66</u> 34	_	<u>75</u> 12	<u>5</u>	<u>90</u> -27	1
	Dividend proposed						-21	4
	Dividend proposed		<u>14</u> 20		<u>14</u> -2		-27	1
	P& L Balance b/f				-4 26			4
	FOLD BAILANCE DA		<u>6</u> 26		<u>26</u> 24		<u>24</u> -3	1
			20 ==		2 <del>4</del> ==		-3 ==	
							==	8
(b)			i	Balanci	e Shee	ts		0
(~)	Fixed Assets		,	Baia, io	0,,00			
	Fittings at cost	33		40		173		1
	less depreciation	10	<u>23</u>	14	<u>26</u>	31	<u>142</u>	1
	<del></del>	<u></u>	23	نحك	<u>26</u>	<u>~ '</u>	142	•
	Current Assets							
	Stock	44		49		107		1
	Debtors	18		25		21		1
	Bank	<u>51</u>		<u>45</u>				1
		113		119		128		
		==		==		==		
	Current Liabilities							
	Creditors	36		47		73		1
	Bank					52		1
	Proposed dividend	<u>14</u>		<u>14</u>				1
		50		<u>14</u> 61		125		
	Net Current Assets		<u>63</u>		<u>58</u>		<u>3</u>	3
			86		84		145	
	Long term liabilities							1
			86		84		<u>68</u> 77	
			==		==		==	
	Share Capital		60		60		80	1
	Profit & Loss		<u>26</u>		<u>24</u> 84		<u>-3</u>	1 of
			86		84		<u>-3</u> 77	
			==		==		==	
								14

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(c) From Profit in 1999 to Loss in 2001.

No dividend by 2001.

Bank overdraft by 2001.

Net Current Assets considerably reduced by 2001.

Loan plus overdraft used to finance extra fixed assets.

Negative Profit & Loss balance by 2001.

Any ratios to support above.

Improved asset base

But generally bad news.

Étc

1 mark each to maximum

8

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) FIFO	1-				<b>.</b> .				
Date	1111	_	_				_		
January		280	65 65	V(\$) 18 200	Q	280	65	V(\$) 18 200	
February March		100	69	6 900	140	140 100	65 69	9 100 6 900	
April May		220	72	15 840	190	50 270	69 72	3 450 19 440	1
June					200	70	72	5 040	1
Sales		140 190	\$	\$ 82 85	\$ 11 480 16 150	\$			
			45.040	90	<u>18 000</u>	45 630			3
			5 040			<u>35 900</u> 9 730			1 1
LIFO Date	In			c	Sut	Batance			(7)
		Q	Р				Þ	V/\$)	
January		280	65	18 200	_	280	65	18 200	
February March		100	69	6 900	140	140 100	65 69	9 100 6 900	
April May		220	72	15 840	190	50 220	65 72	3 250 15 840	
June					200	50 <u>20</u>	65 72	3 250 1 440	
				_	_	70		4 690	2
Sales		140 190 200	\$	82 85	11 480 16 150				
Less Cost	of Sa			90	10,000	42 030			
			40 940						
						36 250			1
Profit						9 380			1 (4)
	Date January February March April May June Sales Less Cost Purchases les C/Stoc Profit LIFO Date January February March April May June Sales Less Cost Purchases les C/Stoc Profit	Date In January  February March  April May June  Sales  Less Cost of Sa Purchases les C/Stock Profit  LIFO Date In January  February March  April May June  Sales  Less Cost of Sa Purchases les C/Stock	Date In  January 280  February March 100  April May 220  June  Sales 140 190 200  Less Cost of Sales Purchases les C/Stock Profit  LIFO Date In  Q January 280  February March 100  April May 220  June  Sales 140 190 200  Less Cost of Sales Purchases les C/Stock	Date       In         January       280       65         February March       100       69         April May       220       72         June       \$         Sales       140       190         200       Less Cost of Sales       40 940         Purchases       40 940       40 940         les C/Stock       5 040       P         January       280       65         February March       100       69         April May       220       72         June       190       200         Less Cost of Sales Purchases       40 940         les C/Stock       40 940         les C/Stock       40 940         les C/Stock       40 940	Date In Q P V(\$)  January 280 65 18 200  February March 100 69 6 900  April May 220 72 15 840  June  Sales 140 82 190 85 200 Less Cost of Sales Purchases 40 940 les C/Stock Profit  LIFO Date In Q P V(\$)  January 280 65 18 200  February March 100 69 6 900  April May 220 72 15 840  June  Sales 140 \$ 82 190 65 18 200  February March 100 69 6 900  April May 220 72 15 840  June  Sales 140 \$ 82 190 85 200 90  Less Cost of Sales Purchases 40 940 Less Coffock 4690	Date   In	Date   In	Date   In	Date   In

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(c)									
	Date !	ln -	_		Out	Balance			
		Q	₽	V(\$)	Q	Q	₽	V(\$)	
	January	280	65	18 200		280	65	18 200	
	February				140	140	65	9 100	
	March	100	69	6 900		<u>100</u>	69	6 900	
						240	67	16 000	
	April				190	50	67	3 334	
	May	220	72	15 840		<u>220</u>	72	<u>15 840</u>	
						270	71	19 174	2
	June				200	70	71	4 971	1
			\$	\$	\$	\$			
	Sales	140		82	11 480				
		190		85	16 150				
		200		90	<u>18 000</u>	45 630			
	Less Cost of	Sales							
	Purchases		40 940						
	les C/Stock		<u>4 971</u>			35 969			1
	Profit					9 661			1
						- <del></del>			(5)
				\$	\$				(-7
(d)	Sales (origin		29 000	10	290 000				
	Expenses (o	riginal)			87 000				
	Profit (origin	al)			29 000				
	Old net profi	t ratio			10.00%	1			
	Sales (new)		31 175	9	280 575				
	O/stock	26 000	1	1	10F				
	Purch	170 000	•	•	IOF				
	, 41011	196 000							
	C/stock	21 000			175 000				
	Gross Profit	21 000			175 000	1			
	Expenses				105 575	4			
	New Net Pro	fi+			84 825	1			
	New Net Pro				20 750	1 of			
					7.40%	1 of			(8)
(e)	Janice reduc	ed the sellin	g price to s	uch an ext	ent that inc	reased sales v	olume wa	ıs	
	not sufficient	JOI MOUR OF	an merease	in gross f	FORE,				
	THE TOWER EX	penses wen	t not sumce	មាវ លេ ២៣វាវុ		ofit back to its			
	Etc				1	One per statem	ent to ma	vimum	(2)

Etc One per statement to maximum (3)

(f) Altering methods of depreciation gives a false comparison from one year to the next. Total expenses, and therefore profits, can easily be "massaged".

Consistency. True and fair view.

Net book value of assets becomes meaningless.

Etc One per statement to maximum (3)

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3	DATA					
	Machine		Х	Y		
	Hourly rate of production		160	250		
	Material cost per unit		\$5.00	\$4.60		
	Hourly labour rate		\$10	\$10		
	Number of operatives		4	5		
	Fixed costs per order		\$200	\$500		
	Variable unit costs		\$2.40	\$2.60		
(a)	ORDER FOR 8	00	\$	\$		
• •	Labour cost		200	160	2	
	Material cost		4000	3680	2	
	Variable costs		1920	2080	2	
	Fixed costs		200	500	2	
	Total costs		6320	6420		
				0.22		
	Machine X costs least, or OF.				1	(9)
(b)	ORDER FOR 10	00				
	Labour cost		250	200	2	
	Material cost		5000	4600	2	
	Variable costs		2400	2600	2	
	Fixed costs		200	500	_	
	Total costs		7850	7900		
	Machine X costs least, or OF.				1	(7)
4-5						(,,
(c)		Machine X \$				
	Total variable costs	6120			1	
	Total costs	6320			1	
	Sales = 125% of total costs	7900			1	
	Contribution = Sales - VC	1780			1	
		Machine Y				
	Western Control of	\$				
	Total variable costs	5920			1	
	Total costs	6420			1	
	Sales = 125% of total costs	8025			1	
	Contribution = Sales - VC	2105			1	<b>(8)</b>
(d)	Rights issue					(8)
	A Saves on expense of	f a full public sh	are issue.			
	D May bring in less car					
	etc.					

etc.

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### Issues of shares to the public

A May be sold at a premium and bring in large cash fund.

D Costs a great deal of money and no guarantee that all will be sold.

etc.

#### issue of debentures

A No control given to debenture holders.

D Interest must be paid even if business is making a loss.

etc.

One advantage and one disadvantage for each to maximum

(6)