

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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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	<u>631 090</u>		4
	713 240		
less Closing stock	<u>76 500</u>	<u>636 740</u>	
Gross profit		198 820	1 of
Discount received		<u>19 000</u>	1
		217 820	
less Expenses			
Rent & rates	12 590		
Electricity	17 145		
Advertising	19 325		
Wages	65 100		
Sales commission	14 250		
Depreciation	<u>13 500</u>	<u>141 910</u>	1
Net profit		<u>75 910</u>	1 + 1 of [12]

(b) Balance Sheet at 31 March 2009

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

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]

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(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	<u>6150</u>			1
			<u>8000</u>		<u>8000</u>	
				2009		
				1 Apr	Bal b/d	6150 [3]
(ii)	Bad debts account					
	2008					
	31 May	Liew	720			1
	30 Jun	Uriah	1625			1
	2009					
	28 Feb	Debtors	<u>300</u>	31 Mar	P & L	<u>2645</u> 2
			2645		2645	[4]
(iii)	Bad debts recovered account					
	2009					
	31 Mar	P & L	3000	31 Mar	Khalil	3000 [2]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
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- 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	<u>510</u>	<u>21 010</u>	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	<u>1 200</u>	<u>24 260</u>	2
	Correct valuation at 31 May 2009		<u>68 950</u>	[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	<u>11</u>	<u>69</u>
	Unit profit		11
		Multiplied by	<u>150 000</u>
	Total annual profit		<u>1 650 000</u>
			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	<u>1 650 000</u>	<u>10 350 000</u>
	Total annual profit		<u>1 650 000</u>
			1 + 1 of [7]

Page 6	Mark Scheme: Teachers' version	Syllabus	Paper
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(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

**MARK SCHEME for the May/June 2009 question paper
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9706/22	9706 ACCOUNTING Paper 2 (Structured Questions – Core), maximum raw mark 90
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(b) Balance Sheet at 31 March 2009

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Current liabilities				
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			<u>325 110</u>	
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[Total: 30]

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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	<u>6150</u>			1
			<u>8000</u>			<u>8000</u>
	2009					
				1 Apr	Bal b/d	6150 [3]
(ii)	Bad debts account					
	2008					
	31 May	Liew	720			1
	30 Jun	Uriah	1625			1
	2009					
	28 Feb	Debtors	<u>300</u>	31 Mar	P & L	<u>2645</u> 2
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	add Sales	19 800		2
	Drawings	700		1
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	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	<u>1 200</u>	<u>24 260</u>	2
	Correct valuation at 31 May 2009		<u>68 950</u>	[13]
				[Total: 30]

- 3 (a) (i)** Break-even in units $\frac{240\,000\ (1)}{12\ (1) - 10\ (1)} = 120\,000\ \text{units}\ (1)$
- Break-even in sales value = 120 000 x \$12 (1) = \$1 440 000 (1of) [6]
- (ii)**
- | | | |
|-----------------------|----------------|-----|
| | \$ | |
| Selling price | 12 (1) | |
| Variable costs | <u>10 (1)</u> | |
| Contribution per unit | <u>2</u> | |
| Number of units | <u>400 000</u> | |
| 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 = $\frac{280\,000}{400\,000} = 70\% (1of)$ [4]

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]