

**MARK SCHEME for the May/June 2010 question paper**  
**for the guidance of teachers**

**9706 ACCOUNTING**

**9706/22**

Paper 22 (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 2010

	\$000	\$000	
Raw materials			
Stock at 1 May 2009		164	1
Purchases		<u>2628</u>	1
		2792	
Stock at 30 April 2010		<u>202</u>	1
Cost of raw materials consumed		2590	
Manufacturing wages		<u>520</u>	1
Prime cost		3110	
Factory overheads			
Factory expenses	432		1
Factory depreciation	<u>700</u>	<u>1132</u>	1
		4242	
Work in progress			
Stock at 1 May 2009	146		1
Stock at 30 April 2010	<u>128</u>	<u>18</u>	1
Factory cost of production		<u><u>4260</u></u>	<b>[8]</b>

**(b)** Income Statement (Trading and Profit and Loss Account)  
for year ended 30 April 2010

	\$000	\$000	
Sales		5684	1
Stock of finished goods at 1 May 2009	292		
Cost of production	<u>4260</u>		
	4552		
Inventory (stock) of finished goods at 30 April 2010	<u>252</u>	<u>4300</u>	1
Gross profit		1384	
Reduction in provision for doubtful debts	6		1
Income from rent	<u>48</u>	<u>54</u>	1
		1438	
Depreciation	238		1
Bank charges	12		1
Bank interest	38		1
Office expenses	348		1
Salaries	222		1
Sales expenses	248		1
Bad debt written off	<u>14</u>	<u>1120</u>	1
Net profit		<u><u>318</u></u>	<b>[11]</b>

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(c)

Balance Sheet at 30 April 2010

		\$000	\$000	\$000	
		Cost	Deprec	NBV	
Non-current (fixed) assets					
Factory		2800	1800	1000	2
Office		<u>952</u>	<u>618</u>	<u>334</u>	2
		<u>3752</u>	<u>2418</u>	1334	
Current assets					
Inventories (stocks)					
Raw materials		202			
Finished goods		252			
Work in progress		<u>128</u>			
		582			1
Trade receivables	466				1
prov for d debts	<u>10</u>	<u>456</u>	1038		1
Current Liabilities					
Trade payables		426			1
Bank		<u>290</u>	<u>716</u>	<u>322</u>	1
				<u>1656</u>	
Capital at 1 May 2009				1338	1
Net profit				<u>318</u>	1
				<u>1656</u>	

[11]

[Total: 30]

**2 Data**

Non-current (fixed) assets	Machinery	Motor Vehicles
	\$000	\$000
Cost 1 May 2008	4200	3200
Additions during year	1200	800
Less disposals during year	<u>-700</u>	<u>-1000</u>
Cost 30 April 2009	<u>4700</u>	<u>3000</u>
Depreciation balance at 1 May 2008	1560	840
Add charge for year	470	750
Less on disposals for year	<u>-520</u>	<u>-800</u>
Depreciation balance at 30 April 2009	<u>1510</u>	<u>790</u>

Percentage depreciation

Machinery	$\frac{470 \times 100}{4700}$	10%
Motor vehicles	$\frac{750 \times 100}{3000}$	25%

**(a) (i) Disposal accounts**

Machinery

Cost	1	\$000	400	Depn 4 years	160	1
				Cash	200	1
				Loss	<u>40</u>	1of
			<u>400</u>		<u>400</u>	

Vehicles (item 2)

Cost	1	400	Depn 3 years	300	1
Profit	1of	<u>20</u>	Part exch	<u>120</u>	1
		<u>420</u>		<u>420</u>	

Vehicles (item 3)

Cost	1	360	Depn 1 year	90	1
			Bank	210	1
			Loss	<u>60</u>	1of
		<u>360</u>		<u>360</u>	

[12]

DOES NOT NEED TO BE IN THE FORM OF ACCOUNTS

**(ii) Non-current (fixed) asset schedule**

	Machinery	Motor Vehicles
	\$000	\$000
Cost at 1 May 2010	4700	3000
Additions during year	1 900	840 1
Less disposals during year	1 <u>-400</u>	<u>-760</u> 1
Cost at 30 April 2011	<u>5200</u>	<u>3080</u>
Depreciation at 1 May 2010	1510	790
Add charge for year	1of 520	770 1of
Less on disposals during year	1of <u>-160</u>	<u>-390</u> 1of
	<u>1870</u>	<u>1170</u>

[8]

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- (b) (i)** 1 Wear and tear  
2 Obsolescence  
3 Time  
4 Depletion  
**No marks for methods. Any three correct for (3)** **[3]**

- (ii)** 1 Machinery, vehicles  
2 Computers, any technological equipment  
3 Lease  
4 Quarry, oil well etc.  
**Any three correct for (3)** **[3]**

- (c)** 1 Cost or Market value  
2 Useful life  
3 Residual value at end of useful life  
4 Expected length of ownership  
5 Rate of usage  
6 Method of depreciation  
7 Type of asset  
8 Machine hours  
**Any correct 4 for (4)** **[4]**

**[Total: 30]**

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3 (a) (i) The break-even point is the level of activity at which the business makes neither a profit nor a loss – i.e. total contribution = total fixed costs. (accept a relevant formula) [2]

(ii) The margin of safety is the distance between the break-even point and the expected level of activity. It is the amount by which actual activity can fall short of expected activity before a loss is incurred. [2]  
[4]

DATA	Sales	460 000
	Variable costs	299 000
	Fixed costs	90 000

(b)  $\frac{\text{Sales} - \text{variable costs}}{\text{Sales}} \times 100$        $\frac{460 - 299}{460} \times 100$       35%      [4]  
1of

(c)  $\frac{\text{Fixed costs}}{\text{c/s ratio}} \times 100$        $90\,000 \times \frac{100}{35}$       \$257 143      [3]  
1of

(d)  $(\text{Fixed costs} + \text{profit}) \times \frac{100}{\text{c/s ratio}}$        $(90\,000 + 100\,000) \times \frac{100}{35}$       \$542 857      [4]  
1of

(e)  $\text{Sales} \times \text{c/s ratio} - \text{fixed costs}$        $(375\,000 \times \frac{35}{100}) - 90\,000$       \$41 250      [4]  
1of

OR  $375\,000 - (.65 \times 375\,000 + 90\,000)$       \$41 250  
1of

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(f) Revised contribution = sales - 5% - variable costs

$$460\,000 - 23\,000 - 299\,000 \qquad \$138\,000$$

**1      1      1      1of**

$$\text{Revised c/s ratio} = \frac{\text{revised contribution}}{\text{new sales}} \times 100$$

$$\frac{\$138\,000 \times 100}{460\,000 \times 0.95} \qquad 31.57895\%$$

**1of**  
**1      1**

$$\text{Fixed costs} + \text{profit} \times \frac{100}{\text{c/s ratio}}$$

$$= (90\,000 + 80\,000) \times \frac{100}{31.57895} \qquad \$538\,333$$

**1of**  
**1of**

Accept answers between \$531 250 and \$548 387 – answer depends on number of decimal places revised c/s ratio is taken to. **[11]**

ALTERNATIVE METHODS ACCEPTABLE THROUGHOUT

**[Total: 30]**