
ACCOUNTING

9706/22

Paper 2 Structured Questions

October/November 2017

MARK SCHEME

Maximum Mark: 90

Published

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This document consists of **8** printed pages.

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---------------------|----|----|---------|--|------------|-----------------|--|--------------------|--|--|--------|---------------|--|--|-------------------|------------|--|-----------|--------|--|------------------|------------------|--|--|--------|--|-----------------------------|---------------------|---------------|--|--|---------------------|------------------|--|--|-------------------|-----------|--|---------------------------|------------|--|----------------------|-------|--|-----------------|-------|--|------------------|-------|--|--------------------------------|-----------|--|--------------|------------------|---------------|---|--|---------------------|-----------------------------------|--|--|-----------------------------------|--|--|-----------|
| 1 | <p style="text-align: center;">Ross Income Statement for the year ended 31 March 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%; text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">92 520 (1)</td> </tr> <tr> <td>Returns inwards</td> <td></td> <td style="text-align: right;"><u>(1 240) (1)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">91 280</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">21 640 (1)</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">38 950</td> <td></td> </tr> <tr> <td>Returns outwards</td> <td style="text-align: right;"><u>(440) (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">60 150</td> <td></td> </tr> <tr> <td>Closing inventory W1</td> <td style="text-align: right;"><u>(25 900) (2)</u></td> <td style="text-align: right;"><u>34 250</u></td> </tr> <tr> <td>Gross profit (<i>must be labelled</i>)</td> <td></td> <td style="text-align: right;"><u>57 030 (1of)</u></td> </tr> <tr> <td>Deduct: expenses</td> <td></td> <td></td> </tr> <tr> <td>Carriage outwards</td> <td style="text-align: right;">1 090 (1)</td> <td></td> </tr> <tr> <td>Property rental W2</td> <td style="text-align: right;">13 920 (2)</td> <td></td> </tr> <tr> <td>Heating and lighting</td> <td style="text-align: right;">1 940</td> <td></td> </tr> <tr> <td>Travel expenses</td> <td style="text-align: right;">2 060</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">6 690</td> <td></td> </tr> <tr> <td>Irrecoverable debt written off</td> <td style="text-align: right;">1 250 (1)</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;"><u>1 490 (1)</u></td> <td style="text-align: right;"><u>28 440</u></td> </tr> <tr> <td>Profit for the year (<i>must be labelled</i>)</td> <td></td> <td style="text-align: right;"><u>28 590 (1of)</u></td> </tr> <tr> <td>W1 (23 400 (1) + 2500 (1))</td> <td></td> <td></td> </tr> <tr> <td>W2 (16 240 (1) – 2320 (1))</td> <td></td> <td></td> </tr> </tbody> </table> | | \$ | \$ | Revenue | | 92 520 (1) | Returns inwards | | <u>(1 240) (1)</u> | | | 91 280 | Cost of sales | | | Opening inventory | 21 640 (1) | | Purchases | 38 950 | | Returns outwards | <u>(440) (1)</u> | | | 60 150 | | Closing inventory W1 | <u>(25 900) (2)</u> | <u>34 250</u> | Gross profit (<i>must be labelled</i>) | | <u>57 030 (1of)</u> | Deduct: expenses | | | Carriage outwards | 1 090 (1) | | Property rental W2 | 13 920 (2) | | Heating and lighting | 1 940 | | Travel expenses | 2 060 | | General expenses | 6 690 | | Irrecoverable debt written off | 1 250 (1) | | Depreciation | <u>1 490 (1)</u> | <u>28 440</u> | Profit for the year (<i>must be labelled</i>) | | <u>28 590 (1of)</u> | W1 (23 400 (1) + 2500 (1)) | | | W2 (16 240 (1) – 2320 (1)) | | | 13 |
| | \$ | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Revenue | | 92 520 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Returns inwards | | <u>(1 240) (1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 91 280 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost of sales | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Opening inventory | 21 640 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Purchases | 38 950 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Returns outwards | <u>(440) (1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 60 150 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Closing inventory W1 | <u>(25 900) (2)</u> | <u>34 250</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross profit (<i>must be labelled</i>) | | <u>57 030 (1of)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deduct: expenses | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carriage outwards | 1 090 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Property rental W2 | 13 920 (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Heating and lighting | 1 940 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Travel expenses | 2 060 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General expenses | 6 690 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Irrecoverable debt written off | 1 250 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Depreciation | <u>1 490 (1)</u> | <u>28 440</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit for the year (<i>must be labelled</i>) | | <u>28 590 (1of)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| W1 (23 400 (1) + 2500 (1)) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| W2 (16 240 (1) – 2320 (1)) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 1(b) | <p style="text-align: center;">Ross Statement of Financial position at 31 March 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td colspan="3">Non-current assets</td> </tr> <tr> <td>Shop fittings – cost</td> <td style="text-align: right;">11 930</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">provision for depreciation</td> <td style="text-align: right;">3 320</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">8 610</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td colspan="3">Current assets</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">25 900</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">11 620</td> <td style="text-align: right;">(2of)</td> </tr> <tr> <td>Prepayments</td> <td style="text-align: right;">3 240</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">390</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">41 150</td> <td></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">49 760</td> <td></td> </tr> <tr> <td colspan="3">Capital account</td> </tr> <tr> <td>Balance brought forward</td> <td style="text-align: right;">10 950</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Capital introduced</td> <td style="text-align: right;">3 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;">28 590</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">42 540</td> <td></td> </tr> <tr> <td>Deduct: drawings</td> <td style="text-align: right;">8 600</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">33 940</td> <td></td> </tr> <tr> <td colspan="3">Non-current liabilities</td> </tr> <tr> <td>Bank loan</td> <td style="text-align: right;">4 290</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td colspan="3">Current liabilities</td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">6 440</td> <td></td> </tr> <tr> <td>Accruals</td> <td style="text-align: right;">800</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank loan</td> <td style="text-align: right;">4 290</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">49 760</td> <td></td> </tr> </tbody> </table> <p>Workings</p> <p>Trade receivables 12 870 (1) – 1250 = 11 620 (1)OF</p> | | \$ | | Non-current assets | | | Shop fittings – cost | 11 930 | | provision for depreciation | 3 320 | (1) | | 8 610 | (1of) | Current assets | | | Inventory | 25 900 | (1of) | Trade receivables | 11 620 | (2of) | Prepayments | 3 240 | (1) | Bank | 390 | (1) | | 41 150 | | Total assets | 49 760 | | Capital account | | | Balance brought forward | 10 950 | (1) | Capital introduced | 3 000 | (1) | Profit for the year | 28 590 | (1of) | | 42 540 | | Deduct: drawings | 8 600 | (1) | | 33 940 | | Non-current liabilities | | | Bank loan | 4 290 | (1) | Current liabilities | | | Trade payables | 6 440 | | Accruals | 800 | (1) | Bank loan | 4 290 | | | 49 760 | | 13 |
| | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-current assets | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Shop fittings – cost | 11 930 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| provision for depreciation | 3 320 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 8 610 | (1of) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current assets | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Inventory | 25 900 | (1of) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trade receivables | 11 620 | (2of) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Prepayments | 3 240 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank | 390 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 41 150 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total assets | 49 760 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital account | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance brought forward | 10 950 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital introduced | 3 000 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit for the year | 28 590 | (1of) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 42 540 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deduct: drawings | 8 600 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 33 940 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-current liabilities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank loan | 4 290 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Trade payables | 6 440 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accruals | 800 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank loan | 4 290 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 49 760 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1(c) | <p>Application of prudence concept (1) Trade receivables/Current assets/profit may be overstated (1) Application of matching/accruals concept (1) Matches the cost of the provision against the relevant year (1)</p> <p>(1 mark for advice + max 3 for justification).</p> | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------|--|-------------|-----------|-----|--------------|--|------------|-----------------|--|--|--|--|--------|---------------|--|--|--------|-----|--|--------------------------|-----|-----|--|--|--|-----------------------|-------|-----|--|--|--|------------------|--|--|-------|-----|--|---------------|--------|-----|--|--|--|-----------------|--|--|--|--|--------------|-------------|----------|--|-----------|--|------------|-----------------|--|--|--|--|--------|--------------------|-------|-----|--|--|--|--------------------------|-----|-----|--|--|--|------------------|--|--|-------|-----|--|--------------------------|--|--|-------|-----|--|-----------------|--|--|--|--|-------------|-----------|
| 2(a) | <p style="text-align: center;">Sales ledger control account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Description</th> <th style="width: 10%;">Add (\$)</th> <th style="width: 10%;"></th> <th style="width: 10%;">Less (\$)</th> <th style="width: 10%;"></th> <th style="width: 10%;">Total (\$)</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">93 185</td> </tr> <tr> <td>Sales journal</td> <td></td> <td></td> <td style="text-align: right;">30 420</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Interest on late payment</td> <td style="text-align: right;">720</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales returns journal</td> <td style="text-align: right;">4 560</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Discount allowed</td> <td></td> <td></td> <td style="text-align: right;">1 520</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Bank receipts</td> <td style="text-align: right;">18 965</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Closing balance</td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">85 490 (1cf)</td> </tr> </tbody> </table> <p style="text-align: center;">Sales ledger balances</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Description</th> <th style="width: 10%;">Add (\$)</th> <th style="width: 10%;"></th> <th style="width: 10%;">Less (\$)</th> <th style="width: 10%;"></th> <th style="width: 10%;">Total (\$)</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">78 370</td> </tr> <tr> <td>Dishonoured cheque</td> <td style="text-align: right;">9 745</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on late payment</td> <td style="text-align: right;">720</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Discount allowed</td> <td></td> <td></td> <td style="text-align: right;">1 520</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Irrecoverable debt w/off</td> <td></td> <td></td> <td style="text-align: right;">1 825</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Closing balance</td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">85 490* 10F</td> </tr> </tbody> </table> <p>Note: * Final balances must be the same amount in the sales ledger control account and the sales ledger balances to be awarded own figure mark.</p> | Description | Add (\$) | | Less (\$) | | Total (\$) | Opening balance | | | | | 93 185 | Sales journal | | | 30 420 | (1) | | Interest on late payment | 720 | (1) | | | | Sales returns journal | 4 560 | (1) | | | | Discount allowed | | | 1 520 | (1) | | Bank receipts | 18 965 | (1) | | | | Closing balance | | | | | 85 490 (1cf) | Description | Add (\$) | | Less (\$) | | Total (\$) | Opening balance | | | | | 78 370 | Dishonoured cheque | 9 745 | (1) | | | | Interest on late payment | 720 | (1) | | | | Discount allowed | | | 1 520 | (1) | | Irrecoverable debt w/off | | | 1 825 | (1) | | Closing balance | | | | | 85 490* 10F | 11 |
| Description | Add (\$) | | Less (\$) | | Total (\$) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | | | | | 93 185 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales journal | | | 30 420 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest on late payment | 720 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales returns journal | 4 560 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount allowed | | | 1 520 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank receipts | 18 965 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Closing balance | | | | | 85 490 (1cf) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Description | Add (\$) | | Less (\$) | | Total (\$) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | | | | | 78 370 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dishonoured cheque | 9 745 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest on late payment | 720 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount allowed | | | 1 520 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Irrecoverable debt w/off | | | 1 825 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Closing balance | | | | | 85 490* 10F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2(b) | <p>Provides a total for trade receivables (1) Helps in the preparation of the financial statements. (1) Helps deter/prevent/reduce fraud, as it is maintained by different person. (1) Verifies the arithmetical accuracy/identifies errors in the sales ledger. (1) Can be reconciled with the sales ledger balances to improve accuracy. (1)</p> <p>(1 mark for a valid point, up to max of 4 marks).</p> | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------------|--|---------|--------|--|----|--|------|--|------|--|--|--------|---------------------|--------|--------|--|--|--|-----|--------|------|--|--|--|--|------------------|--|--|--|--|-----------|--|--|--|--|-----------|--|--|--|--|-------------|--|--|--------|--|--------|--------------------|--|----|------------------------|--|--------|----------------------------|----------------------|---------|--|------------|--------|--------------------------|----------------------|---------|--|------------|--------|---|
| 3(a)(i) | $84\,695 \times 20\% = \$16\,939$ (1) New equipment $12\,785 + 1595 = 14\,380 \times 20\% \times 3 / 12 = 719$ Total depreciation = $16\,939 + 719(1) = \$17\,658$ | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3(a)(ii) | <p style="text-align: center;">K Limited Motor vehicle disposal account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>2016</td> <td></td> <td>2016</td> <td></td> <td></td> </tr> <tr> <td>Dec 31</td> <td>Motor vehicles cost</td> <td>14 850</td> <td>Dec 31</td> <td>Provision for depreciation of motor vehicles</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(1)</td> <td>Apr 30</td> <td>Bank</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Income statement</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">4 795 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">8 900 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">1 155 (1of)</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;"></td> <td style="border-top: 1px solid black; text-align: right;">14 850</td> <td style="border-top: 1px solid black;"></td> <td style="border-top: 1px solid black; text-align: right;">14 850</td> </tr> </tbody> </table> <p>Workings</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Motor vehicle sold</td> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Bought Aug 1 2014 cost</td> <td></td> <td style="text-align: right;">14 850</td> </tr> <tr> <td>Depreciation April 30 2015</td> <td style="text-align: center;">$25\% \times 9 / 12$</td> <td style="text-align: right;">(2 784)</td> </tr> <tr> <td></td> <td style="text-align: right;">Book value</td> <td style="text-align: right;">12 066</td> </tr> <tr> <td>Depreciation Dec 31 2015</td> <td style="text-align: center;">$25\% \times 8 / 12$</td> <td style="text-align: right;">(2 011)</td> </tr> <tr> <td></td> <td style="text-align: right;">Book value</td> <td style="text-align: right;">10 055</td> </tr> </tbody> </table> | | \$ | | \$ | | 2016 | | 2016 | | | Dec 31 | Motor vehicles cost | 14 850 | Dec 31 | Provision for depreciation of motor vehicles | | | (1) | Apr 30 | Bank | | | | | Income statement | | | | | 4 795 (1) | | | | | 8 900 (1) | | | | | 1 155 (1of) | | | 14 850 | | 14 850 | Motor vehicle sold | | \$ | Bought Aug 1 2014 cost | | 14 850 | Depreciation April 30 2015 | $25\% \times 9 / 12$ | (2 784) | | Book value | 12 066 | Depreciation Dec 31 2015 | $25\% \times 8 / 12$ | (2 011) | | Book value | 10 055 | 4 |
| | \$ | | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016 | | 2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dec 31 | Motor vehicles cost | 14 850 | Dec 31 | Provision for depreciation of motor vehicles | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | (1) | Apr 30 | Bank | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | Income statement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | 4 795 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | 8 900 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | 1 155 (1of) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 14 850 | | 14 850 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Motor vehicle sold | | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bought Aug 1 2014 cost | | 14 850 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Depreciation April 30 2015 | $25\% \times 9 / 12$ | (2 784) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Book value | 12 066 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Depreciation Dec 31 2015 | $25\% \times 8 / 12$ | (2 011) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Book value | 10 055 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3(b) | Matching (1) – cost of non-current asset matched with the revenue earned (1) Prudence (1) – to ensure that profit/carrying value of non-current assets is not overstated. (1) Consistency (1) – to enable valid comparison (1) Max 4 marks | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3(c) | <p>Bank loan The lender would need to be convinced that the company can meet the interest and repayment obligations. (1) Bank loan must be repaid. (1) The loan may need to be secured (1) on the plant and equipment purchased. Loan interest will be charged (1) to the Income Statement reducing profits. A loan will increase the gearing of the company. (1) Takes less time to issue. (1)</p> <p>Share issue The company has flexibility as to the level of dividends payable on the shares. (1) Share capital does not need to be repaid. (1) There may be loss of control. (1) Issue of more shares may dilute the share price. (1) Share issue is an expensive (1) process. Issuing ordinary shares will not increase the gearing. (1) Takes more time to issue. (1) No interest has to be paid. (1)</p> <p>(1 for decision, and max 4 for justification).</p> | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|------------------|-----------------------|------------|--|-----------------------------|----|-----|----|--------------------------|----|--------------|-------------------|-----------------------|--------------|--|-------------|--|-------------|--|--|----------------|--|-------------|--------------|-----------------------------|-----------|-----|--|----------|
| 4(a) | <p>Benefits (Max 2) Calculate the break-even point Calculate margin of safety Helps with (short term) decision making Easy to predict profits and losses at different levels of output. Quick method of calculating to show impact of decision on profits.</p> <p>Limitations (Max 2) Some costs are difficult to classify as fixed or variable. Not applicable when multiple products are involved. Assumes selling price remains constant. Assumes variable/fixed costs remain constant. Based on estimates that may not be accurate. Assumes that all production is sold.</p> <p>Accept other valid answers.</p> | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4(b) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right; width: 10%;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Variable costs (15 + 8 + 2)</td> <td style="text-align: right;">25</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Selling price (25 × 1.8)</td> <td style="text-align: right;">45</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Contribution per unit</td> <td style="text-align: right;">20</td> <td></td> <td></td> </tr> <tr> <td>Fixed costs ((17 400 + 7800 + 12 000 + 13 200) / 12)</td> <td style="text-align: right;">4200</td> <td></td> <td></td> </tr> <tr> <td> </td> <td></td> <td></td> <td></td> </tr> <tr> <td>Breakeven point (4200 / 20)</td> <td style="text-align: right;">210 units</td> <td style="text-align: right;">(1)</td> <td></td> </tr> </table> | | \$ | | | Variable costs (15 + 8 + 2) | 25 | (1) | | Selling price (25 × 1.8) | 45 | (1) | | Contribution per unit | 20 | | | Fixed costs ((17 400 + 7800 + 12 000 + 13 200) / 12) | 4200 | | | | | | | Breakeven point (4200 / 20) | 210 units | (1) | | 3 |
| | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variable costs (15 + 8 + 2) | 25 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Selling price (25 × 1.8) | 45 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution per unit | 20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed costs ((17 400 + 7800 + 12 000 + 13 200) / 12) | 4200 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Breakeven point (4200 / 20) | 210 units | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4(c)(i) | In units: 240 – 210 = 30 units (1)OF | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4(c)(ii) | In revenue: \$45 × 30 = \$1350 (1)OF | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4(d) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Maximum capacity</td> <td style="width: 20%;">$240 \times 100 / 75$</td> <td style="width: 20%; text-align: right;">320 units</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">\$</td> <td></td> <td></td> </tr> <tr> <td>Contribution</td> <td>$320 \times \\$20$</td> <td style="text-align: right;">6400</td> <td style="text-align: right;">(1OF)</td> <td></td> </tr> <tr> <td>Fixed costs</td> <td></td> <td style="text-align: right;"><u>4200</u></td> <td></td> <td></td> </tr> <tr> <td>Maximum profit</td> <td></td> <td style="text-align: right;"><u>2200</u></td> <td style="text-align: right;">(1OF)</td> <td></td> </tr> </table> | Maximum capacity | $240 \times 100 / 75$ | 320 units | | (1) | | | \$ | | | Contribution | $320 \times \$20$ | 6400 | (1OF) | | Fixed costs | | <u>4200</u> | | | Maximum profit | | <u>2200</u> | (1OF) | | 3 | | | |
| Maximum capacity | $240 \times 100 / 75$ | 320 units | | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution | $320 \times \$20$ | 6400 | (1OF) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed costs | | <u>4200</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maximum profit | | <u>2200</u> | (1OF) | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---------------|---------|-------|--|--|---------------|--|--|--------|-----|------------|--|--|-------|-----|--|--|--|--------|--|----------------|--|--|--|--|------------------------------|---------|-----|--|--|---|---------|-----|--|--|--------------------------------|-------|-----|---------|--|--------------|--|--|-------|-------|----------------------------|--|--|---------|-----|----------------|--|--|-------|-------|--------------|--|--|--|--------------------|-----------------------|-------|-----|---------------|------------------------|-------|--|--|------------------------|-------|--|--------------------|--|-------|-----|-------------|--------------------|-------|-----|----------------|--|-------|-----|---|
| 4(e) | <table border="1" data-bbox="240 248 1249 813"> <tr> <td>Sales revenue</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>240 × \$49.50</td> <td></td> <td></td> <td>11 880</td> <td>(1)</td> </tr> <tr> <td>150 × \$42</td> <td></td> <td></td> <td>6 300</td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>18 180</td> <td></td> </tr> <tr> <td>Variable costs</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Direct material (390 × \$15)</td> <td>(5 850)</td> <td>(1)</td> <td></td> <td></td> </tr> <tr> <td>Direct labour (320 × \$8) + (70 × \$10)</td> <td>(3 260)</td> <td>(1)</td> <td></td> <td></td> </tr> <tr> <td>Variable overheads (390 × \$2)</td> <td>(780)</td> <td>(1)</td> <td>(9 890)</td> <td></td> </tr> <tr> <td>Contribution</td> <td></td> <td></td> <td>8 290</td> <td>(1of)</td> </tr> <tr> <td>Fixed costs (4200+500+200)</td> <td></td> <td></td> <td>(4 900)</td> <td>(1)</td> </tr> <tr> <td>Maximum profit</td> <td></td> <td></td> <td>3 390</td> <td>(1of)</td> </tr> </table> <p data-bbox="240 846 579 880">Alternative presentation</p> <table data-bbox="240 913 1129 1160"> <tr> <td>Contribution</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Existing customers</td> <td>240 × (49.50 – 25.00)</td> <td>5 880</td> <td>(1)</td> </tr> <tr> <td>Bart Supplies</td> <td>80 (1) × (42 – 25) (1)</td> <td>1 100</td> <td></td> </tr> <tr> <td></td> <td>70 (1) × (42 – 27) (1)</td> <td>1 710</td> <td></td> </tr> <tr> <td>Total contribution</td> <td></td> <td>8 290</td> <td>(1)</td> </tr> <tr> <td>Fixed costs</td> <td>(4200 + 500 + 200)</td> <td>4 900</td> <td>(1)</td> </tr> <tr> <td>Maximum profit</td> <td></td> <td>3 390</td> <td>(1)</td> </tr> </table> | Sales revenue | | | | | 240 × \$49.50 | | | 11 880 | (1) | 150 × \$42 | | | 6 300 | (1) | | | | 18 180 | | Variable costs | | | | | Direct material (390 × \$15) | (5 850) | (1) | | | Direct labour (320 × \$8) + (70 × \$10) | (3 260) | (1) | | | Variable overheads (390 × \$2) | (780) | (1) | (9 890) | | Contribution | | | 8 290 | (1of) | Fixed costs (4200+500+200) | | | (4 900) | (1) | Maximum profit | | | 3 390 | (1of) | Contribution | | | | Existing customers | 240 × (49.50 – 25.00) | 5 880 | (1) | Bart Supplies | 80 (1) × (42 – 25) (1) | 1 100 | | | 70 (1) × (42 – 27) (1) | 1 710 | | Total contribution | | 8 290 | (1) | Fixed costs | (4200 + 500 + 200) | 4 900 | (1) | Maximum profit | | 3 390 | (1) | 8 |
| Sales revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 240 × \$49.50 | | | 11 880 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 150 × \$42 | | | 6 300 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 18 180 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variable costs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Direct material (390 × \$15) | (5 850) | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Direct labour (320 × \$8) + (70 × \$10) | (3 260) | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variable overheads (390 × \$2) | (780) | (1) | (9 890) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution | | | 8 290 | (1of) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed costs (4200+500+200) | | | (4 900) | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maximum profit | | | 3 390 | (1of) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Existing customers | 240 × (49.50 – 25.00) | 5 880 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bart Supplies | 80 (1) × (42 – 25) (1) | 1 100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 70 (1) × (42 – 27) (1) | 1 710 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total contribution | | 8 290 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed costs | (4200 + 500 + 200) | 4 900 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Maximum profit | | 3 390 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4(f) | <p data-bbox="240 1193 635 1227">Benefits (maximum 4 marks)</p> <ul data-bbox="240 1229 1369 1473" style="list-style-type: none"> Profits increase (1) by \$2790 (1) (3390 – 600) Directors' target profit (of \$40 680) (1of) per annum is greater than (30 000) target. (1) Business utilises full capacity (1) which will maximise profits. (1) Increased advertising may result in increased business (1) and new customers leading to growth. (1) Produces a positive contribution (1) \$1890 (1) <p data-bbox="240 1507 667 1541">Limitations (maximum 4 marks)</p> <ul data-bbox="240 1543 1369 1787" style="list-style-type: none"> Workforce working to full capacity (1) may affect product quality/output. (1) Existing customers may be dissatisfied with the price increase, (1) resulting in lost sales/lower profits (1) Additional storage rental commitment may not be required if new contract ceases, (1) reducing profits (1) Becoming reliant on one customer (1) as don't know how long the order may last (1) <p data-bbox="240 1789 1002 1823">(1) Mark for advice and overall max 6 marks for justification</p> | 7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks |
|----------|--|----------|
| 4(g) | <p>Facilitates profit maximisation (1) Enhanced cash management by identifying future inflows and outflows. (1) Facilitates working capital requirement planning. (1) Enables capital expenditure planning. (1)</p> <p>Note Benefits must be financial benefits. Do not reward: co-ordination, planning, decision making etc. unless developed from a financial perspective.</p> <p>1 mark for each valid benefit. Maximum 3 marks.</p> | 3 |