

Cambridge International AS & A Level

ACCOUNTING**9706/22**

Paper 2 Fundamentals of Accounting

May/June 2026**MARK SCHEME**Maximum Mark: 90

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

This document consists of **16** printed pages.

General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: - the specific content defined in the mark scheme - the specific skills defined in the mark scheme or in the level descriptions - the standard of response required as exemplified by the standardisation scripts.
2	Examiners must award whole marks (not half marks, or other fractions).
3	Examiners must award marks positively . This means that: - marks are not deducted for errors or omissions - marks are awarded for correct/valid answers as defined in the mark scheme and also for other valid answers which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate - the quality of spelling, punctuation and grammar are judged only when the mark scheme indicates that these features are specifically assessed in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must consistently apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the full range of marks defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and must not award marks with grade thresholds or grade descriptions in mind.

**Social Sciences-Specific Marking Principles
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require n reasons (e.g. State two reasons ...).
- DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. corrasion/corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct and relevant point made in answering the question.
	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repetition
A	An extraneous figure
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure
Highlight	Highlight
Off page Comment	Off page comment

Abbreviations and guidance

The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. }*

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally valid.

Question	Answer	Marks																																															
1(a)	Calculate the <u>total</u> revenue of the business for the year ended 31 December 2025. <table><tr><td></td><td>\$</td><td></td></tr><tr><td>Closing balance credit customers</td><td>8 320</td><td>(1)</td></tr><tr><td>Less opening balance credit customers</td><td>(4 940)</td><td>(1)</td></tr><tr><td></td><td>3 380</td><td></td></tr><tr><td>Receipts</td><td>47 580</td><td>(1)</td></tr><tr><td>Discounts allowed W1</td><td>305</td><td>(1)</td></tr><tr><td>Irrecoverable debt written off</td><td>145</td><td>(1)</td></tr><tr><td>Cash receipts</td><td>14 800</td><td>(1)</td></tr><tr><td>Total revenue</td><td>66 210</td><td>(1) OF</td></tr></table> Refer to workings if incorrect final answer and ignore labels. W1 Discounts allowed: $\\$47\,580 \times \frac{1}{4} = \\$11\,895$ represents 97.5% of settlement; discount = $2.5/97.5 \times \\$11\,895 = \\305 (1) Alternative approach <table><tr><td>Balance b/d</td><td>4 940 (1)</td><td>Bank</td><td>47 580 (1)</td></tr><tr><td>Sales</td><td>51 410</td><td>Discounts allowed</td><td>305 (1)</td></tr><tr><td></td><td></td><td>Irrecoverable debt</td><td>145 (1)</td></tr><tr><td></td><td></td><td>Balance c/d</td><td><u>8 320 (1)</u></td></tr><tr><td></td><td><u>56 350</u></td><td></td><td><u>56 350</u></td></tr></table> 51 410 (OF) + 14 800 (1) = 66 210 (1)OF		\$		Closing balance credit customers	8 320	(1)	Less opening balance credit customers	(4 940)	(1)		3 380		Receipts	47 580	(1)	Discounts allowed W1	305	(1)	Irrecoverable debt written off	145	(1)	Cash receipts	14 800	(1)	Total revenue	66 210	(1) OF	Balance b/d	4 940 (1)	Bank	47 580 (1)	Sales	51 410	Discounts allowed	305 (1)			Irrecoverable debt	145 (1)			Balance c/d	<u>8 320 (1)</u>		<u>56 350</u>		<u>56 350</u>	7
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1(b)	Calculate the amount of cash stolen. <table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Total receipts (11800+80)</td><td></td><td>11 880</td><td></td></tr><tr><td>Total payments (5800+1050+4320)</td><td></td><td>(11 170)</td><td></td></tr><tr><td></td><td></td><td>710</td><td>(1)*</td></tr><tr><td>Increase in cash balance</td><td></td><td>(350)</td><td>(1)</td></tr><tr><td>Stolen cash</td><td></td><td>360</td><td>(1)</td></tr></table>		\$	\$		Total receipts (11800+80)		11 880		Total payments (5800+1050+4320)		(11 170)				710	(1)*	Increase in cash balance		(350)	(1)	Stolen cash		360	(1)	3																							
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Question	Answer	Marks												
1(c)	Calculate the profit or loss made on the disposal of motor vehicle A. Carrying value of vehicle at time of disposal: \$32 000 less depreciation ((2 × 20% × \$32 000) + (20% × 32 000 × 9/12)) = \$14 400 (1) Disposal: \$14 400 – \$16 300 = \$1 900 (1) profit (1) Alternative approach <table><tr><td>Cost</td><td>32 000}</td><td>Depreciation</td><td>17 600} (1)</td></tr><tr><td>Statement of profit or loss (1)</td><td>1 900 (1)</td><td>Bank</td><td>16 300</td></tr><tr><td></td><td>33 900</td><td></td><td>33 900</td></tr></table>	Cost	32 000}	Depreciation	17 600} (1)	Statement of profit or loss (1)	1 900 (1)	Bank	16 300		33 900		33 900	3
Cost	32 000}	Depreciation	17 600} (1)											
Statement of profit or loss (1)	1 900 (1)	Bank	16 300											
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Question	Answer	Marks																																																																				
1(d)	Prepare the statement of profit or loss for the year ended 31 December 2025. Airport Transfers Statement of profit or loss for the year ended 31 December 2025 <table><tr><td></td><td style="text-align: center;">\$</td><td style="text-align: center;">\$</td><td></td></tr><tr><td>Revenue from 1(a)</td><td style="text-align: center;">66 210</td><td></td><td style="text-align: center;">(1) OF</td></tr><tr><td>Irrecoverable debt recovered</td><td style="text-align: center;">80</td><td></td><td style="text-align: center;">(1)</td></tr><tr><td>Profit/gain on disposal of motor vehicle from 1(c)</td><td style="text-align: center;">1 900</td><td></td><td style="text-align: center;">(1) OF</td></tr><tr><td></td><td></td><td style="text-align: center;">68 190</td><td></td></tr><tr><td>Less expenses</td><td></td><td></td><td></td></tr><tr><td>Irrecoverable debt (written off)</td><td style="text-align: center;">145</td><td></td><td style="text-align: center;">(1)</td></tr><tr><td>Discounts allowed</td><td style="text-align: center;">305</td><td></td><td style="text-align: center;">(1)</td></tr><tr><td>Wages of office assistant</td><td style="text-align: center;">5 800</td><td></td><td></td></tr><tr><td>Depreciation of equipment</td><td style="text-align: center;">380</td><td></td><td style="text-align: center;">(1)</td></tr><tr><td>Depreciation of motor vehicles W1</td><td style="text-align: center;">13 900</td><td></td><td style="text-align: center;">(1)</td></tr><tr><td>Uninsured loss of cash/stolen cash from 1(b)</td><td style="text-align: center;">360</td><td></td><td style="text-align: center;">(1) OF</td></tr><tr><td>General expenses W2</td><td style="text-align: center;">12 370</td><td></td><td style="text-align: center;">(1)</td></tr><tr><td>Rent W3</td><td style="text-align: center;">5 690</td><td></td><td style="text-align: center;">(1)</td></tr><tr><td>Wages of drivers W4</td><td style="text-align: center;">20 010</td><td></td><td style="text-align: center;">(1)</td></tr><tr><td></td><td></td><td style="text-align: center;">58 960</td><td></td></tr><tr><td>Profit for the year</td><td></td><td style="text-align: center;">9 230</td><td style="text-align: center;">(1) OF</td></tr></table> W1 Depreciation of vehicles: Vehicle A, \$4 800 Vehicle B, $20\% \times \\$36\,000 = \\$7\,200$; Vehicle C, $20\% \times \frac{1}{4} \times \\$38\,000 = \\$1\,900$, i.e. \$13 900 W2 General expenses: $\\$11\,320 + \\$1\,050 = 12\,370$ W3 Rent: $\\$6\,200 - \\$510 = \\$5\,690$ W4 Wages of drivers: $\\$18\,860 + \text{closing owing } \\$1\,150 = \\$20\,010$		\$	\$		Revenue from 1(a)	66 210		(1) OF	Irrecoverable debt recovered	80		(1)	Profit/gain on disposal of motor vehicle from 1(c)	1 900		(1) OF			68 190		Less expenses				Irrecoverable debt (written off)	145		(1)	Discounts allowed	305		(1)	Wages of office assistant	5 800			Depreciation of equipment	380		(1)	Depreciation of motor vehicles W1	13 900		(1)	Uninsured loss of cash/stolen cash from 1(b)	360		(1) OF	General expenses W2	12 370		(1)	Rent W3	5 690		(1)	Wages of drivers W4	20 010		(1)			58 960		Profit for the year		9 230	(1) OF	12
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Question	Answer	Marks
1(e)	Advise Zahir whether or not he should introduce a computerised system of accounting. Justify your answer by considering the advantages and disadvantages of this proposal. Advantages (max 2) May reduce late payments if reminders are issued using the credit control system (1) May reduce likelihood of irrecoverable debts (1) Can track customers and improve credit control (1) Improved liquidity and profits (1) Speed/efficiency/time saving of processing information (1) Automatic provision of reports or financial statements (1) Potential for additional useful features: payroll/inventory control (1) Accuracy/less errors of records (1) Space can be saved/less paper used/large amount of data stored (1) Production of business documents e.g. invoices and statements of accounts (1) Auditing and fraud prevention (1) Records/data are more secure (using passwords/back-ups) (1) (Balances are) up to date (1) Disadvantages (max 2) No guarantee that system will improve situation/reminders could be ignored (1) Cost of capital equipment/setting up/capital expenditure (1) Cost of software package/updating/maintenance (1) Lack of experience/training required (1) Data security risks/hacking/cyber-attacks/virus (1) Systems crashing/loss of data (1) Employee resistance (1) Decision supported with a comment (1)	5
2(a)(i)	Calculate the following for the year ended 31 December 2024. cost of sales 60% × \$240 000 = \$144 000 (1)	1

Question	Answer	Marks				
2(a)(ii)	purchases Cost of sales \$144 000 from 2(a)(i) (1) OF + closing inventory \$19 600 – opening inventory \$16 400 = \$147 200 (1) OF	2				
2(b)	Calculate the trade payables turnover (days) for the year ended 31 December 2024, stating the formula used. <table><tr><td>formula</td><td>calculation</td></tr><tr><td>$\frac{\text{trade payables}}{\text{card purchases}} \times 365 \text{ (1)}$</td><td>$\frac{\\$14\,400}{\\$147\,200 \text{ OF}} \times 365 = 36 \text{ days (1)OF}$</td></tr></table>	formula	calculation	$\frac{\text{trade payables}}{\text{card purchases}} \times 365 \text{ (1)}$	$\frac{\$14\,400}{\$147\,200 \text{ OF}} \times 365 = 36 \text{ days (1)OF}$	2
formula	calculation					
$\frac{\text{trade payables}}{\text{card purchases}} \times 365 \text{ (1)}$	$\frac{\$14\,400}{\$147\,200 \text{ OF}} \times 365 = 36 \text{ days (1)OF}$					

Question	Answer	Marks																																				
2(c)	Prepare the <u>trading section</u> of the statement of profit or loss for the year ended 31 December 2025. Naila Statement of profit and loss for the year ended 31 December 2024 (trading section) <table><tr><td></td><td style="text-align: center;">\$</td><td style="text-align: center;">\$</td><td></td></tr><tr><td>Revenue</td><td></td><td style="text-align: right;">288 000</td><td style="text-align: right;">(1)</td></tr><tr><td>Cost of sales</td><td></td><td></td><td></td></tr><tr><td> Opening inventory</td><td style="text-align: right;">19 600</td><td></td><td></td></tr><tr><td> Purchases</td><td style="text-align: right;">189 600 (1)</td><td></td><td></td></tr><tr><td></td><td style="text-align: right;">209 200</td><td></td><td></td></tr><tr><td> Closing inventory W1</td><td style="text-align: right;">(22 000) (1)</td><td></td><td></td></tr><tr><td></td><td></td><td style="text-align: right;">187 200</td><td style="text-align: right;">(1) OF</td></tr><tr><td>Gross profit</td><td></td><td style="text-align: right;">100 800</td><td style="text-align: right;">(1) OF</td></tr></table> W1 Closing inventory Average inventory = \$187 200/9 = \$20 800 Closing inventory = \$41 600 – \$19 600 = \$22 000		\$	\$		Revenue		288 000	(1)	Cost of sales				Opening inventory	19 600			Purchases	189 600 (1)				209 200			Closing inventory W1	(22 000) (1)					187 200	(1) OF	Gross profit		100 800	(1) OF	5
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Gross profit		100 800	(1) OF																																			
2(d)	Advise Naila whether or not she should go ahead with her proposal. Justify your answer by considering the advantages <u>and</u> disadvantages of the proposal. Advantages (Max 3) Will increase rate of inventory turnover (1) Reduce storage costs (1) Less chance of wastage/spoilage (1) Goods are sold faster so will improve liquidity/cash flow (1) Attract new customers (1) Disadvantages (Max 3) Possible loss of customers for the slow-selling lines (1) Loss of these customers could reduce sales on other lines (1) Decrease in profits resulting from loss of sales (1) Decision supported with a comment (1) Accept other valid responses	5																																				

Question	Answer	Marks																											
3(a)	Calculate the revised profit for the year ended 31 December 2025. <table><tr><td></td><td>\$</td><td></td></tr><tr><td>Draft profit for the year</td><td>58 600</td><td></td></tr><tr><td>Add correction of allowance for irrecoverable debts May be shown as 300 + 100</td><td>400</td><td>(1)</td></tr><tr><td>Add depreciation W1</td><td>10 000</td><td>(1)</td></tr><tr><td>Less tax on profit for the year</td><td>(11 700)</td><td>(1)</td></tr><tr><td>Revised profit for the year</td><td>57 300</td><td>(1)</td></tr></table> W1 Plant and equipment carrying amount before incorrect depreciation charge: \$160 000 × 5/4 = \$200 000; correct depreciation charge is 15% × \$200 000 = \$30 000; correction is \$10 000		\$		Draft profit for the year	58 600		Add correction of allowance for irrecoverable debts May be shown as 300 + 100	400	(1)	Add depreciation W1	10 000	(1)	Less tax on profit for the year	(11 700)	(1)	Revised profit for the year	57 300	(1)	4									
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Less tax on profit for the year	(11 700)	(1)																											
Revised profit for the year	57 300	(1)																											
3(b)	Calculate the revised balance of retained earnings for the year ended 31 December 2025. <table><tr><td></td><td>\$</td><td></td></tr><tr><td>Retained earnings at 1 January 2025</td><td>157 200</td><td></td></tr><tr><td>Less bonus issue W1</td><td>(125 000)</td><td>(1)</td></tr><tr><td>Add revised profit for the year from 3a)</td><td>57 300</td><td>(1) OF</td></tr><tr><td>Retained earnings at 31 December 2025</td><td>89 500</td><td>(1) OF</td></tr></table> W1 Bonus issue: 1 800 000 × 2/3 shares at \$0.25 each = \$300 000 Transfer from retained earnings = \$300 000 – share premium 175 000 = \$125 000 Alternative approach <table><tr><td>Bonus issue</td><td>125 000 (1)</td><td>Balance b/d</td><td>157 200</td></tr><tr><td>Balance c/d</td><td><u>89 500 (1) OF</u> <u>214 500</u></td><td>Profit for the year</td><td>57 300 (1) OF</td></tr><tr><td></td><td></td><td></td><td><u>214 500</u></td></tr></table>		\$		Retained earnings at 1 January 2025	157 200		Less bonus issue W1	(125 000)	(1)	Add revised profit for the year from 3a)	57 300	(1) OF	Retained earnings at 31 December 2025	89 500	(1) OF	Bonus issue	125 000 (1)	Balance b/d	157 200	Balance c/d	<u>89 500 (1) OF</u> <u>214 500</u>	Profit for the year	57 300 (1) OF				<u>214 500</u>	3
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3(c)	Prepare the statement of financial position at 31 December 2025. J Limited Statement of financial position at 31 December 2025 \$ <table><tr><td colspan="2">Assets</td></tr><tr><td colspan="2">Non-current assets</td></tr><tr><td>Property at valuation</td><td>736 000</td></tr><tr><td>Plant and equipment at carrying value</td><td>170 000 (1)</td></tr><tr><td></td><td><u>906 000</u></td></tr><tr><td colspan="2">Current assets</td></tr><tr><td>Inventory</td><td>51 800</td></tr><tr><td>Trade and other receivables</td><td>53 800 (1)</td></tr><tr><td>Cash and cash equivalents</td><td>28 700</td></tr><tr><td></td><td><u>134 300</u></td></tr><tr><td>Total assets</td><td><u>1 040 300 (1) OF</u></td></tr><tr><td colspan="2">Equity and liabilities</td></tr><tr><td colspan="2">Equity</td></tr><tr><td>Share capital</td><td>750 000 (1)</td></tr><tr><td>Revaluation reserve</td><td>65 000</td></tr><tr><td>Retained earnings from 3(b)</td><td>89 500 (1) OF</td></tr><tr><td>Total equity</td><td><u>904 500</u></td></tr><tr><td colspan="2">Current liabilities</td></tr><tr><td>(8%) Debentures</td><td>90 000 (1)</td></tr><tr><td>Trade and other payables</td><td>34 100</td></tr><tr><td>Tax/taxation (payable)</td><td>11 700 (1)</td></tr><tr><td>Total liabilities</td><td><u>135 800</u></td></tr><tr><td>Total equity and liabilities</td><td><u>1 040 300 (1) OF</u></td></tr></table>	Assets		Non-current assets		Property at valuation	736 000	Plant and equipment at carrying value	170 000 (1)		<u>906 000</u>	Current assets		Inventory	51 800	Trade and other receivables	53 800 (1)	Cash and cash equivalents	28 700		<u>134 300</u>	Total assets	<u>1 040 300 (1) OF</u>	Equity and liabilities		Equity		Share capital	750 000 (1)	Revaluation reserve	65 000	Retained earnings from 3(b)	89 500 (1) OF	Total equity	<u>904 500</u>	Current liabilities		(8%) Debentures	90 000 (1)	Trade and other payables	34 100	Tax/taxation (payable)	11 700 (1)	Total liabilities	<u>135 800</u>	Total equity and liabilities	<u>1 040 300 (1) OF</u>	8
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4(a)	Complete the table to show the apportionment of overheads and the reapportionment of service department overheads. <table><tr><td></td><td></td><td colspan="2">Production departments</td><td colspan="2">Service departments</td><td></td></tr><tr><td></td><td>Total</td><td>Baking</td><td>Packaging</td><td>Stores</td><td>Canteen</td><td></td></tr><tr><td></td><td>\$</td><td>\$</td><td>\$</td><td>\$</td><td>\$</td><td></td></tr><tr><td>Overheads allocated</td><td>34 500</td><td>17 300</td><td>8 200</td><td>3 900</td><td>5 100</td><td></td></tr><tr><td>Depreciation of machinery</td><td>18 700</td><td>11 000</td><td>4 400</td><td>1 100</td><td>2 200</td><td>(1) row</td></tr><tr><td>Power</td><td>4 800</td><td>2 880</td><td>768</td><td>192</td><td>960</td><td>(1) row</td></tr><tr><td>Rent</td><td>11 000</td><td>5 940</td><td>3 080</td><td>880</td><td>1 100</td><td>(1) row</td></tr><tr><td>Total</td><td>69 000</td><td>37 120</td><td>16 448</td><td>6 072</td><td>9 360</td><td></td></tr><tr><td>Reapportionment Stores department</td><td></td><td>2 024</td><td>2 530</td><td>(6 072)</td><td>1 518</td><td>(1) OF row</td></tr><tr><td>Subtotal</td><td></td><td>39 144</td><td>18 978</td><td>–</td><td>10 878</td><td></td></tr><tr><td>Reapportionment Canteen department</td><td></td><td>7 615</td><td>3 263</td><td></td><td>(10 878)</td><td>(1) OF row</td></tr><tr><td>Total</td><td></td><td>46 759 (1) OF</td><td>22 241 (1) OF</td><td>–</td><td>–</td><td></td></tr></table>			Production departments		Service departments				Total	Baking	Packaging	Stores	Canteen			\$	\$	\$	\$	\$		Overheads allocated	34 500	17 300	8 200	3 900	5 100		Depreciation of machinery	18 700	11 000	4 400	1 100	2 200	(1) row	Power	4 800	2 880	768	192	960	(1) row	Rent	11 000	5 940	3 080	880	1 100	(1) row	Total	69 000	37 120	16 448	6 072	9 360		Reapportionment Stores department		2 024	2 530	(6 072)	1 518	(1) OF row	Subtotal		39 144	18 978	–	10 878		Reapportionment Canteen department		7 615	3 263		(10 878)	(1) OF row	Total		46 759 (1) OF	22 241 (1) OF	–	–		7
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4(b)	Calculate, to <u>two</u> decimal places, the overhead absorption rates for each of the two production departments. <table><tr><td>Baking department</td><td>\$46 759/5800 = \$8.06 (1) OF per machine hour (1) From 4(a)</td></tr><tr><td>Packaging department</td><td>\$22 241/820 = \$27.12 (1) OF per labour hour (1) From 4(a)</td></tr></table>	Baking department	\$46 759/5800 = \$8.06 (1) OF per machine hour (1) From 4(a)	Packaging department	\$22 241/820 = \$27.12 (1) OF per labour hour (1) From 4(a)	4																																																																																
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4(c)	State <u>two</u> reasons why overheads could be over-absorbed in the packaging department. If actual overheads are less than budgeted overheads (1) If actual production is greater than budgeted production (1)	2																																																																																				

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4(d)	Calculate the selling price of the order. <table border="1"> <tr> <td></td><td>\$</td><td></td></tr> <tr> <td>Direct materials</td><td>31.00 }</td><td rowspan="3">(1)</td></tr> <tr> <td>Direct labour: Baking department ($\\$11.50 \times 8.5$)</td><td>97.75 }</td></tr> <tr> <td>Direct labour: Packaging department ($\\$11.50 \times 3.5$)</td><td>40.25 }</td></tr> <tr> <td>Overheads: Baking department ($\\$8.06 \times 9.5$) from 4b)</td><td>76.57</td><td>(1) OF</td></tr> <tr> <td>Overheads: Packaging department ($\\$27.12 \times 3.5$) from 4b)</td><td>94.92</td><td>(1) OF</td></tr> <tr> <td>Total cost</td><td>340.49</td><td>(1) OF</td></tr> <tr> <td>Add profit</td><td>340.49</td><td>(1) OF</td></tr> <tr> <td>Total selling price</td><td>680.98</td><td>(1) OF</td></tr> </table> * \$169 = (1) for combined direct materials and labour.		\$		Direct materials	31.00 }	(1)	Direct labour: Baking department ($\$11.50 \times 8.5$)	97.75 }	Direct labour: Packaging department ($\$11.50 \times 3.5$)	40.25 }	Overheads: Baking department ($\$8.06 \times 9.5$) from 4b)	76.57	(1) OF	Overheads: Packaging department ($\$27.12 \times 3.5$) from 4b)	94.92	(1) OF	Total cost	340.49	(1) OF	Add profit	340.49	(1) OF	Total selling price	680.98	(1) OF	6
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4(e)	Advise the directors whether or not this order should be accepted. Justify your answer by considering the advantages and disadvantages of accepting the order. Calculations are <u>not</u> required. For (Max 3) Could make use of future spare capacity helping to retain direct labour (1) May lead to future orders (1) Against (Max 3) Currently at full capacity so will have to let down other customers (1) Regular customers may hear of reduced price and request the same (1) Will workforce be available for overtime? (1) Will potential overtime costs make the order unprofitable? (1) Decrease in current (gross) profit margin (1) Prediction of reduced demand may be wrong (1) Decision supported with a comment (1) Accept other valid responses	5																									

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4(f)	State <u>two</u> features of the AVCO method of inventory valuation. Avoids inequality of identical items being charged to different jobs at different prices (1) Smooths out changes in cost (1) Recognises that identical items purchased at different times and prices have identical values (1) A new average value is calculated every time a new purchase of inventory is made (1) May not represent any price actually paid for inventory (1) Max 2 Accept other valid responses	2
4(g)	Explain <u>one</u> advantage and <u>one</u> disadvantage of the JIT system of inventory management. Advantages (Max 2 marks) Reduces the need to hold large quantities of inventory (1) resulting in reduced storage costs (1) Less cash is tied up in inventory (1) this could then mean cash can be used for other opportunities (1) Less inventory stolen/damaged (1) which lowers wastage costs/improves profit margins (1) Inventory is always available when required (1) preventing holdups in production (1) can react fast to changes in consumer tastes (1) which helps increase revenue (1) Disadvantages (Max 2 marks) Requires a reliable supply chain (1) to avoid stockouts/delays in production (1) Requires proper operations management (1) to identify which components are required and at what time (1) Unexpected orders cannot be met (1) as materials aren't in storage/lose out on sales/revenue (1) Delivery/admin costs may be higher (1) due to increased amount of orders placed (1) Miss out on economies of scale/bulk buying/discounts (1) which will lead to higher average costs (1) Accept other valid responses	4