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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2014 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.
1 (a)  

Profit for the year  250 000  
ADD  12 000  (2)  
Credit note  262 000  

LESS  
Inventory  3 750  (2)  
Interest  2 000  (1)  
Repairs (+ 500 – 2000)  1 500  (2)  
Motor vehicle insurance (–14 800 + 13 000)  1 800  (2)  
Irrecoverable debts  8 000  (1)  17 050  

Corrected profit for the year  244 950  [10]  

(b)  

Chen Ya Wen  
Corrected Statement of Financial Position at 31 May 2014  

Non-current assets  
Buildings at valuation  500 000  
Equipment at net book value  240 000  
Motor vehicles at net book value  382 500  (3)  

1 122 500  

Current assets  
Inventory (55 000 – 6000 + 2250)  51 250  (2)  
Trade receivables (34 000–8000)  26 000  (2)  
Other receivables  18 200  (1)  
Cash and cash equivalents  2 000  (1)  97 450  

Total assets  1 219 950  

Capital and liabilities  
Capital (opening)  900 000  
Add profit for the year  244 950  (1)OF  
Less drawings  75 000  

1 144 950  

Non-current liabilities  
Loan  100 000  

Current liabilities  
Trade payables (52 000 – 12 000)  40 000  (1)  
Other payables (8000 + 2000)  10 000  (1)  50 000  

Total capital and liabilities  1 219 950  [12]  

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(c)

Cash book

\[
\begin{array}{ccc}
\text{Balance} & 8000 & \text{(1)} \\
\text{Dividends} & 450 & \text{(1)} \\
\text{Bank charges} & 150 & \text{(1)} \\
\text{Dishonoured cheque} & 1200 & \text{(1)} \\
\text{Corrected CB balance} & 7100 & \text{(1)} \\
\hline
\text{Total} & 8450 & \text{(1)} \\
\end{array}
\]

(d)

Bank reconciliation statement at 31 July 2014

\[
\begin{array}{ccc}
\text{Bank statement balance} & 5600 & \text{(1)} \\
\text{Less cheques not yet presented} & (2000) & \text{(1)} \\
\text{Add cheques lodged not yet credited} & 3500 & \text{(1)} \\
\text{Cash book balance} & 7100 & \text{(1) Fig. + words} \\
\hline
\text{Total} & 30 & \text{[4]} \\
\end{array}
\]
2 (a) Partners’ capital accounts

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal. b/d</td>
<td>38 500</td>
<td>27 600</td>
<td>100 000</td>
<td>(1)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>60 000 (1)</td>
<td>30 000 (1)</td>
<td>30 000 (1)</td>
<td></td>
<td>80 000 (1)</td>
<td>40 000 (1)</td>
<td></td>
</tr>
<tr>
<td>Bal. c/d</td>
<td>58 500</td>
<td>37 600</td>
<td>70 000 (1)</td>
<td>OF</td>
<td>58 500</td>
<td>37 600</td>
<td>70 000</td>
</tr>
<tr>
<td></td>
<td>118 500</td>
<td>67 600</td>
<td>100 000</td>
<td></td>
<td>118 500</td>
<td>67 600</td>
<td>100 000</td>
</tr>
<tr>
<td>Bal. b/d</td>
<td>58 500</td>
<td>37 600</td>
<td>70 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) Appropriation account

- Net profit before adjustment: 325 000
- Bad debt recovered: 5 000 (1)
- Bad debt: (15 000) (1)
- Drawings: 2 500 (2)
- Adjusted net profit: 317 500
- Add: Interest on drawings
  - A: 1 230 (1)
  - B: 1 230
  - C: 318 730

Deduct: Salaries
- A: 30 000
- B: 30 000
- C: 30 000 (1)
  - (90 000)

Interest on capital
- A: 4 680 (1) of
- B: 3 008 (1) of
- C: 5 600 (1) of
  - (13 288)
  - 215 442

Profits
- A: 107 721 (1) of
- B: 53 860 (1) of
- C: 53 861 (1) of
  - 215 442

(c) Partners’ current accounts

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drawings</td>
<td>70 500 (1)</td>
<td>46 900 (1)</td>
<td>37 250 (2)</td>
<td></td>
<td>4 250</td>
<td>2 975</td>
<td>(1)</td>
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<tr>
<td>Int. on draw</td>
<td>1 230 (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries: 30 000</td>
<td>30 000</td>
<td>30 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int. on cap: 4 680</td>
<td>3 008</td>
<td>5 600 (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits: 107 721</td>
<td>53 860</td>
<td>53 861 (1)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bal. c/d</td>
<td>74 921</td>
<td>42 943</td>
<td>52 211 (1)</td>
<td>OF</td>
<td>146 651</td>
<td>89 843</td>
<td>89 461</td>
</tr>
<tr>
<td></td>
<td>146 651</td>
<td>89 843</td>
<td>89 461</td>
<td></td>
<td>146 651</td>
<td>89 843</td>
<td>89 461</td>
</tr>
<tr>
<td>Bal. b/d</td>
<td>74 921</td>
<td>42 943</td>
<td>52 211 (1)</td>
<td>OF</td>
<td></td>
<td></td>
<td></td>
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</table>

[Total: 30]
3 (a) Contribution per unit

<table>
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<th></th>
<th>Ess</th>
<th>Tee</th>
<th>Ewe</th>
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</thead>
<tbody>
<tr>
<td>Selling price</td>
<td>$22</td>
<td>$28</td>
<td>$31</td>
</tr>
<tr>
<td>Variable costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct materials</td>
<td>6</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Direct labour</td>
<td>8</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Overheads (1 for each total marginal cost)</td>
<td>4</td>
<td>18(1)</td>
<td>5</td>
</tr>
<tr>
<td>Contribution per unit (1 for each unit contribution)</td>
<td>4(1)</td>
<td>7(1)</td>
<td>5(1)</td>
</tr>
</tbody>
</table>

(b) Contribution per batch

<table>
<thead>
<tr>
<th></th>
<th>Ess</th>
<th>Tee</th>
<th>Ewe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution per unit</td>
<td>$4</td>
<td>$7</td>
<td>$5</td>
</tr>
<tr>
<td>X Batch</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Contribution per batch</td>
<td>$12</td>
<td>$14</td>
<td>$25</td>
</tr>
</tbody>
</table>

(c) Maximum monthly profit

Production plan

<table>
<thead>
<tr>
<th></th>
<th>Ewe</th>
<th>Ess</th>
<th>Tee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>7 000</td>
<td>19 500</td>
<td>13 000</td>
</tr>
<tr>
<td>Maximum demand</td>
<td></td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Maximum 3 for 2</td>
<td></td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Balance available</td>
<td></td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total production</td>
<td>40 000</td>
<td>Maximum</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Ess</th>
<th>Tee</th>
<th>Ewe</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>19 500 × $4</td>
<td>13 000 × $7</td>
<td>7 500 × $5</td>
</tr>
<tr>
<td>Total contribution</td>
<td>78 000</td>
<td>91 000</td>
<td>37 500</td>
</tr>
<tr>
<td>Less: Fixed overheads</td>
<td>180 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>26 500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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(d) Advantages
– Enables Zumbi to meet maximum demand for Ewe. (1)
– Enables Zumbi to meet maximum demand for Ess. (1)
– Zumbi may be able to use the space saved to make another profitable product. (1)

Disadvantages
– Quality of product may not be as good as own (1)
– Supplier may not be reliable (1)
– May not be able to save all the costs (1)
– Fixed costs will now be shared among less products (1)

[Max 6]

(e) Zumbi should not purchase the product (1) as the purchase cost is greater than the marginal cost (1)

Alternatively,

Zumbi should purchase the product (1) as it will produce a positive contribution of $1 (1). [2]

[Total: 30]