UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the May/June 2011 question paper

for the guidance of teachers

9706 ACCOUNTING

9706/43 Paper 4 (Problem Solving (Supplement)), maximum raw mark 120

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 must be read in conjunction with the question papers and the report on the examination.

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1 (a)

Frog Log plc
Statement of Financial Position at 30 April 2011

	$000	$000	$000		
Non-current assets					
Premises			525	**2**	530 **(1)** – 5 **(1)**
Other non-current assets			<u>1 650</u>	**4**	2 012**(1)** – 270**(1)** + 20**(1)**
			2 175		– 112**(1)**
Current assets		1 610		**1**	
Current liabilities					
Convertible loan stock 2011	100			**1 + 1** for position	
Trade and other payables	<u>545</u>			**7**	
		<u>645</u>			
			<u>965</u>		
			3 140		
Non-current liabilities					
Debentures			<u>200</u>	**1**	
			<u>2 940</u>		
Equity					
Ordinary shares			1 050	**2**	1 000 + 50 = 1050
Share premium			850	**2**	750 + 100 = 850
Revaluation reserve			280	**2**	
Capital redemption reserve			100	**2**	
General reserve			130	**1**	
Retained earnings			<u>530</u>	**6**	
			<u>2 940</u>		

Trade and other payables
983 – 110 + 170 + 117 – 95 = 1 065 – 1 610 = (545)
1 1 1 1 1 1 1of

Retained earnings
615 – 110 + 170 – 50 – 95 = 530
1 1 1 1 1 1of **[32]**

(b)

Share premium	capital reserve	**1**
Revaluation reserve	capital reserve	**1**
CRR	capital reserve	**1**
General reserve	revenue reserve	**1**
Retained earnings	revenue reserve	**1**

[5]

(c) When the market value of the share is higher than the price given in their option to convert **2**
In this case when market value is higher than $3 a share **1** **[3]**

[40]

2 **(a)** Capital accounts

	P		R			P	R	
	$		$			$	$	
Goodwill	15 000	**1**	10 000	**1**	Balance b/d	150 000	90 000	**1***
					Goodwill	12 500	12 500	**1***
Balance c/d	182 500		127 500		Premises	35 000	35 000	**1***
	197 500		137 500			197 500	137 500	
					Balance b/d	182 500	127 500	**1of** **[6]**

(b) Net profit = (26 350 + 6 550) – (8 500 – 2 100) + (21 000 + 18 500) = 66 000
1 **1** **1** **1** **[4]**

(c)

				6 months to 30 June			6 months to 31 Dec	
				$			$	
Net profit				33 000			33 000	**1of***
Interest on drawings	P	820	**1**		1700	**1**		
	R	720	**1**	1 540	1500	**1**	3 200	
				34 540			36 200	
Salaries	P	(5 000)	**1**		(12 000)	**1**		
	R	(2 000)	**1**	(7 000)	(9 000)	**1**	(21 000)	
IOC	P	(7 500)	**1**		(9 125)	**1of**		
	R	(4 500)	**1**	(12 000)	(6 375)	**1of**	(15 500)	
				15 540			(300)	
Share of profit	P	7 770	**1of**		(180)	**1of**		
	R	7 770	**1of**	15 540	(120)	**1of**	(300)	**[17]**

(d) Current accounts

	Poppy		Rose	
	$		$	
Balance b/d	8 500		(2 100)	**1***
Drawings	(21 000)		(18 500)	**1***
IOD	(2 520)		(2 220)	**1***
Salaries	17 000	**1of**	11 000	**1of**
IOC	16 625	**1of**	10 875	**1of**
Share of profit	7 590	**1of**	7 650	**1of**
Balance c/d	26 195	**1of**	6 705	**1of**

[11]

(e) Years of inflation had made their salaries unrealistic.
Change in balance of workload between partners
Other reasonable answer **1 × 2** **[2]**

NB 1* means one mark for both **[40]**

3 **(a)** Production budget

	Jul		Aug		Sep		Oct		Nov		Dec	
Opening inventory	100		250		250		200		200		100	
Production (units)	950	**1**	1 050	**1**	1 350	**1**	1 100	**1**	850	**1**	850	**1**
Sales	–800		–1 050		–1 400		–1 100		–950		–850	
Closing inventory	250		250		200		200		100		100	**[6]**

(b) Raw materials purchasing budget

	Jul		Aug		Sep		Oct		Nov		Dec	
Production (units)	950		1 050		1 350		1, 100		850		850	
Price/kg	4		4		4.5		4.5		4.5		5	
No of kgs	2		2		2		2		2		2	
Cost in $	7 600	**1of**	8 400	**1of**	12 150	**1of**	9 900	**1of**	7 650	**1of**	8 500	**1of**

[6]

(c) $76 000 + $199 500 = $275 500
1 **1** **[2]**

(d) Trade receivables budget

		Sep $		Oct $		Nov $		Dec $	
Opening balance		275 500	**1of**	365 750		353 000		300 000	
Sales		266 000	**1**	220 000	**1**	190 000	**1**	170 000	**1**
		541 500		585 750		543 000		470 000	
Receipts	Month 1	95 760	**1**	127 680	**1**	105 600	**1**	91 200	**1**
	Month 2	76 000	**1**	99 750	**1**	133 000	**1**	110 000	**1**
Discount		3 990	**1**	5 320	**1**	4 400	**1**	3 800	**1**
Closing balance		365 750	**1of**	353 000	**1of**	300 000	**1of**	265 000	**1of** **[21]**

(e) Formalise business plans
Bring together plans for different departments
Control of cost (standard for comparison)
Predict shortages of cash/labour/materials
Communicate targets
Forces management to consider the future
Any three × 1 mark **[3]**

(f) **(i)** Depreciation **1**
Increase in PDD

(ii) Loan repayment
Purchase of non-current (fixed) asset
Any acceptable answer **1** **[2]**

[40]