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## 9706 ACCOUNTING

9706/04

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.

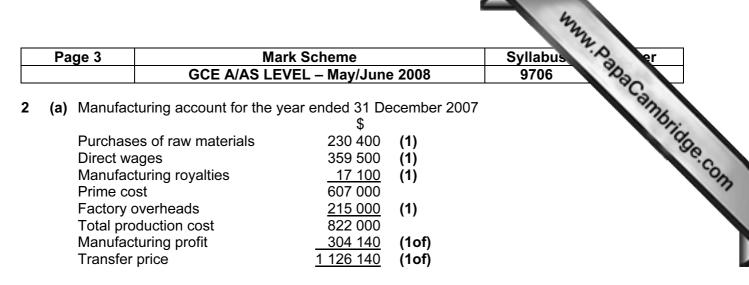
All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

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

CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the May/June 2008 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

	Pag	ge 2		GCE A/			Scheme _ – Mav	/June 2008			vilabus 9706	1	and the	
1 (	(a)	Capital a	iccount				_ may		I		0100		aCan	*
		Goodwill Balances		A 36 <b>(1)</b> <u>65</u> <u>101</u>	B 24 <u>62</u> 86	(1)	C 12 <b>(1)</b> 77 89	Balances Revaluation Balances	A 75 <u>26</u> <u>101</u> 65	(1)	3 60 <b>(1</b> ) <u>26</u> <u>86</u> 62	C 63 <u>26</u> <u>89</u> 77	(1) (4) (1of)	bildge.com
	(b)	Pro Inte Sal	ofit erest o lary	n of profit n capital n drawing		ne ye	11: 1: 1 <u>/</u> (1	\$ 5 500 (1) 5 840 (1) 4 000 (1) <u>340)</u> (1) 4 000						
	(b)	Profit and	d loss a	appropriat	ion a	ccou	nt for the \$	e year ended	31 Mar \$		800			
		Profit to 3 Interest of					Ψ		60 0		l) (corr	ect sp	lit)	
		Salary – Interest c		tal – A B C			7 000 3 000 2 400 2 520	(1)	60 5 <u>14 9</u>					
		Share of	residu	al profits -	-A B C		15 193 15 193 <u>15 194</u>	(1of all)	45 5 <u>45 5</u>					
		Profit to 3 Interest o							84 0 <u>8</u> 84 8	<u>40</u> *	l) (corr (1) (for		,	
		Salaries	– A B				5 000 3 000	(1) (1)	<u>80</u> 768					
		Interest o	on capi	tal – A B C			1 950 1 860 <u>2 310</u>	(1of)	<u>6 1</u> 70 7	<u>20</u>				
		Share of	residu	al profits -	- A B C		35 360 23 573 <u>11 787</u>	(1of all)	<u>70 7</u>					
	(c)	Current a	accoun	ts										
ance k wings rest o ances	s on dv	46 00 wg 68	<u>89</u> (1)	B 305 44 000 504 <u>1 217</u> 46 026	(1) <u>1</u>	31 OC 15	<u>4</u> (1of)	Balances Salaries Interest Profit Balances	13 02 12 00 4 95 <u>50 55</u> 80 52 33 83	0 <b>(1)</b> 0 <u>3</u> <b>(1)</b> <u>3</u>	4 2	60 <u>66</u> (1) <u>26</u>	13 78 4 83	80 <b>(1)</b> 8 <u>1</u> (1of) 96



(b) Trading account for the year ended 31 December 2007(1)

	\$		
Stocks of finished goods	15 867	(1)	12 300 <b>(1)</b> × 129% <b>(1)</b>
Transfer price	<u>1 126 140</u>	(1of)	
	1 142 007		
Stock	<u>18 769</u>	(1)	
Cost of sales	1 123 238	(1of)	
Gross profit	<u>626 762</u>	(1of)	
Sales	<u>1 750 000</u>	(1)	

## (c) Provision for unrealised profit

	\$		\$
		Balance b/d	3567 <b>(3of)</b> W1
Balance c/d	<u>5069</u> (5of) W2	Profit and loss a/c	<u>1502</u> (1of)
	<u>5069</u>		<u>5069</u>
		Balance b/d	5069 (1of)

W2  $\frac{304140(10f) \times 100}{822000(1)} = 37\%$   $\frac{37}{137}(10f) \times 18769(1) = 5069(10f)$ 

(d) W1 
$$\frac{1\,126\,140(1\text{ of})}{4000}$$
 = \$281.535(1of)

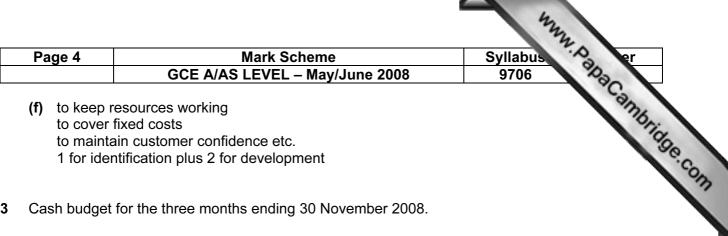
W2 607 000 + 43 000 = 
$$\frac{650\,000}{4000}$$
 (1of) = \$162.50(1of)

Contribution per unit = \$119.035(1of)

Break even =  $\frac{$172\,000}{$119.035\,(as\,above)}$ (1) = 1445 units(1of)

Margin of safety = 4000 (1) - 1445 = 2555 units(1of)

(e) 1445(1of) × \$281.535 (1of) = \$406 818(1of)



- (f) to keep resources working
  - to cover fixed costs

to maintain customer confidence etc.

1 for identification plus 2 for development

3 Cash budget for the three months ending 30 November 2008.

	September	October	November	
Receipts	\$	\$	\$	
Cash sales	5 200	5 600	6 000	(2) all 3 or (1) for 2
Credit sales	J 21 150 <b>(1)</b>	A 21 600 (1)	S 23 400 (1)	
	A 20 520 (1)	S 22 230 (1)	O 23 940 (1)	
Share issue			<u>60 000</u> (1)	
	46 870	<u>49 430</u>	113 340	
Payments				
Materials	15 600 <b>(1)</b>	16 575 <b>(1)</b>	18 135 <b>(1)</b>	
Wages	10 100 <b>(1)</b>	10 600 <b>(1)</b>	10 750 <b>(1)</b>	
Overheads	26 000	24 500	24 750 <b>(1)</b>	
Interest	<u> </u>	<u>12 000</u> (1)	<u> </u>	
	<u>51 700</u>	<u>63 675</u>	<u>53 635</u>	
Balance	(1 350) <b>(1)</b>	(6 180)	(20 425)	
Receipts	46 870	49 430	113 340	
Receipts	45 520	43 250	92 915	
Payments	51 700	<u>63 675</u>	<u>53 635</u>	
Balance	(6 180) <b>(1of)</b>	(20 425) <b>(1of)</b>		but <b>max 20</b> marks
Dalalice		(20 423) (101)	59 200 ( <b>101</b> )	but max 20 mains

## (b) Notlimah Ltd.

Trading profit and loss and appropriation account for the three months ending 30 November 2008

	\$	\$	
Sales		168 000 <b>(1)</b>	
Less cost of sales			
Stock	4 700 <b>(1)</b>		
Purchases	<u>56 600</u> (1)		
	61 300		
Stock	<u> </u>	<u>55 600</u>	
Gross profit		112 400 <b>(1of)</b>	
Discounts received		<u>1 290</u> (1)	
		113 690	
Less expenses			
Discounts allowed	3 510 <b>(1)</b>		
Wages	33 425 <b>(1)</b>		
Overheads	75 450 <b>(1)</b>		
Depreciation	1 250 <b>(1)</b>		5000 × .25 = 1250
Interest	<u>6 000</u> (1)	<u>119 635</u>	(1) (1)
Retained loss for the the	ree months	<u> </u>	

		2
Page 5	Mark Scheme	Syllabus er
	GCE A/AS LEVEL – May/June 2008	9706
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- (c) A cash budget is a forecast whereas a cash flow statement is an historical docume A cash budget not required as a standard; a cash flow statement is required as a stan A cash budget is used for planning and control purposes; a cash flow statement ana cash movements for a previous time period 2 marks for each difference
- (d) Do nothing it may only be a short term problem
  Arrange overdraft facilities
  If the overdraft will cause problems then make an attempt to reschedule some of the payments etc.
  1 mark for identification plus 1 mark for development

1 mark for identification plus 1 mark for development.