

**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
<b>Non-current assets</b>			
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)
<b>Current assets</b>		1 610	1
<b>Current liabilities</b>			
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
<b>Non-current liabilities</b>			
Debentures		<u>200</u>	1
		<u>2 940</u>	
<b>Equity</b>			
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 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*
Balance c/d		<u>182 500</u>		<u>127 500</u>		Goodwill	12 500	12 500	1*
		<u>197 500</u>		<u>137 500</u>		Premises	<u>35 000</u>	<u>35 000</u>	1*
						Balance b/d	<u>197 500</u>	<u>137 500</u>	
							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 <b>1</b>	1 050 <b>1</b>	1 350 <b>1</b>	1 100 <b>1</b>	850 <b>1</b>	850 <b>1</b>
Sales	<u>-800</u>	<u>-1 050</u>	<u>-1 400</u>	<u>-1 100</u>	<u>-950</u>	<u>-850</u>
Closing inventory	<u>250</u>	<u>250</u>	<u>200</u>	<u>200</u>	<u>100</u>	<u>100</u> <b>[6]</b>

**(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 <b>1of</b>	8 400 <b>1of</b>	12 150 <b>1of</b>	9 900 <b>1of</b>	7 650 <b>1of</b>	8 500 <b>1of</b>

**[6]**

**(c) \$76 000 + \$199 500 = \$275 500**  
**1 1**

**[2]**

**(d) Trade receivables budget**

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

**[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]**