MARK SCHEME for the October/November 2011 question paper

for the guidance of teachers

9706 ACCOUNTING

9706/42   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.

Cambridge is publishing the mark schemes for the October/November 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

1 (a) Dissolution account

Land and buildings	180 000	**(1)**	Capital – A (motor vehicle)	6 000	**(1)**	
Fixtures and fittings	28 000	**(1)**	Capital – B (motor vehicle)	4 500	**(1)**	
Motor vehicles	14 500	**(1)**	Bank:			
Inventories	25 450	**(1)**	Land and buildings	142 500	**(1)**	
Bad debts	400	**(1)**	Fixtures and fittings	22 500	**(1)**	
Bank	1 500	**(1)**	Inventories	18 750	**(1)**	
			Discounts	200	**(1)**	
			Loss on dissolution.			
			Anton	27 700	**(1 of)**	
			Bassini	13 850	**(1 of)**	
			Cartwright	13 850 **(1 of)**	55 400	
	249 850			249 850		[15]

(b) Capital accounts

	A	B	C			A	B	C	
					Bal. b/d	100 000	50 000	50 000 **(1)**	
Current a/c			2 155 **(1)**		Current a/c	19 532	7 623	**(1)**	
Diss. a/c (mv)	6 000 **(1)**	4 500 **(1)**							
Loss	27 700	13 850	13 850 **(1 of)**						
Bank	85 832 **(1)**	39 273 **(1)**	33 995 **(1)**						
	119 532	57 623	50 000			119 532	57 623	50 000	[9]

(c) Bank account

Bal b/d		8 350	**(1)**	Trade payables		10 000	**(1)**
Trade receivables		13 500	**(1)**	Diss. exps.		1 500	**(1)**
Diss. a/c.:				Anton – Loan a/c.		35 000	**(1)**
L and b	142 500			Capital a/c.:			
F and f	22 500			A	85 832 **(1 of)**		
Invents.	18 750	183 750	**(1)**	B	39 273 **(1 of)**		
				C	33 995 **(1 of)**	159 100	**(1 cf)**
		205 600				205 600	[10]

(d) (i) Option 1 200 000 × 6% = 12 000 **(1)**
Option 2 80 000 × 0.15 = 12 000 **(1)**

(ii) Both options give the same annual return. **(1 of)**
Option 1 is fixed. **(1)** Option 2 may fluctuate (depending on profit). **(1)**
Option 2 gives ownership rights **(1)** and voting rights **(1)**.
Debentures are safer investment. **(1)** **Max. 3 marks for reasons**   [6]

2 (a)

Ashbourne plc
Income statement
for the year ended 30 June 2011

	$000	
Revenue		7 216 **(1)**
Deduct: Cost of sales		
Opening inventories	1 596 **(1)**	
Purchases	4 425 **(1)**	
	6 021	
Closing inventories	(1 730) **(1)**	4 291
Gross profit		2 925 **(1 cf) and label**
Distribution costs		(1 485)
Administrative expenses		(1 098) **(1) both**
Profit from operations **(1)**		342 **(1 of)**
Interest		(160) **(2)**
Retained earnings for the year **(1)**		182 **(1 of)** [12]

(b)

Ashbourne plc
Statement of Financial Position
at 30 June 2011

ASSETS
Non-current assets

	Cost	Depn.	NBV	
	$000	$000	$000	
Land and buildings	9 473 **(1)**	2 173	7 300	**(1 of)**
Other non-current assets	1 058	236	822	**(1)**
			8 122	
Current assets				
Inventories	1 730			
Trade receivables	897			
Prepaid expenses	265 **(1) all**			
Bank	74 **(1)**		2 966	**(1 cf)**
Total assets			11 088	

EQUITY AND LIABILITIES
Equity

Ordinary share capital:		
10 000 000 ordinary shares of 50c	5 000	**(1)**
Share premium	2 500	**(1)**
Revaluation reserve **(1)**	1 000	**(1)**
Retained earnings	189	**(5)**
Total equity	8 689	**(1 of)**
Non-current liabilities		
8% Debentures 2020	2 000	**(1)**
	2 000	
Current liabilities		
Trade payables	173	
Accrued expenses	146	**(1)**
Interest	80	**(2)**
	399	
Total liabilities	2 399	
Total liabilities and equity	11 088	

Retained earnings: 232 **(1)** + 182 **(1 of)** – 100 **(1)** – 125 **(1)** = 189 **(1 of)**   [20]

(c) Adjusting events provide evidence of conditions existing at the statement of financ~~i~~ date. **(1)**
Accounts should be adjusted. **(1)**
Non-adjusting events - conditions not existing at the statement of financial position date. **(1)**
Event should be noted in the accounts if material. **(1)** [4]

(d) Flood is non-adjusting as condition did not exist at statement of financial position date. **(1)**
No adjustment required. **(1)**
Dividend declared after statement of financial position date. **(1)**
No adjustment required. **(1)** [4]

3 (a)

Ada Campellini
Cash budget for November – January

	November $		December $		January $	
Receipts						
Cash sales	145 700	**(1)**	199 750	**(1)**	91 650	**(1)**
Sales 1 month	54 563	**(1)**	75 175	**(1)**	103 063	**(1)**
Sales 2 months	53 750	**(1)**	56 250	**(1)**	77 500	**(1)**
	254 013		331 175		272 213	
Payments						
Cash purchases	70 560	**(1)**	38 880	**(1)**	38 880	**(1)**
Purchases 1 month	74 480	**(1)**	96 040	**(1)**	52 920	**(1)**
Purchases 2 months	52 500	**(1)**	57 000	**(1)**	73 500	**(1)**
General expenses	18 000		19 800	**(1)**	16 830	**(1)**
Storage system	12 000	**(1)**	1 000		1 000	**(1) both**
Drawings	3 000		6 375		3 000	**(1) all three**
	230 540		219 095		186 130	
Bank:						
Opening balance	34 850		58 323	**(1 of)**	170 403	**(1 of)**
Net cash flow	23 473		112 080		86 083	**(1 of) all three**
Closing balance	58 323	**(1 of)**	170 403	**(1 of)**	256 486	**(1 of) + (1 cf)**

[30]

(b)   **Ada Campellini**
                        Budgeted Income statement for November – January.

	$	$	
Sales		930 000	**(1)**
Deduct: Cost of sales			
Opening inventory	180 000		
Purchases	515 000		
	695 000		
Closing inventory	129 000	566 000	**(1)**
Gross profit		364 000	
Discount received		10 740	**(2)**
		374 740	
Deduct: Expenses			
Discount allowed	35 100 **(2)**		
General expenses	54 630 **(1)**		
Depreciation	5 850 **(2)**	95 580	
Profit for the year		279 160	**(1 of)**

Discount received   6 180 **(1)** + 4 560 **(1)** = 10 740
Discount allowed   27 900 **(1)** + 7 200 **(1)** = 35 100
Depreciation   5 250 **(1)** +   600 **(1)** = 5 850   [10]