UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the May/June 2011 question paper

for the guidance of teachers

<div style="border:1px solid black">

9706 ACCOUNTING

9706/42   Paper 4 (Problem Solving (Supplement)),
maximum raw mark 120

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

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**1 (a) (i)** $000
    Increase in retained earnings (1 170 – 1 125)   45 **1**
    Dividend   30 **1**
    Profit for the year   75 **1**

   (ii) Profit for the year   75 **1of**
    Taxation   28 **1**
    Interest   32 **1**
    Profit from operations   135 **1of**   **[7]**

(b) Statement of cash flows for the year ended 30 April 2011
                                  $000 $000

    <u>Operating activities</u>
    Profit from operations   135 **1of**
    Amortisation of patents   25 **1**
    Depreciation (190 + 24)   214 **2**
    Increase in inventory   (18) **1**
    Decrease in trade receivables   4 **1**
    Increase in trade payables   7 **1**
    Profit on disposal   (3) **1**
    Tax paid   (24) **1**
    Interest paid (32 + 14 – 4)   (42) **3**
    Net cash from operating activities **1**   298 **1of**

    <u>Cash flows from investing activities</u>   **1**
    Proceeds of sale of non-current assets   20   **1**
    Purchase of non-current assets   (488)   **1**
                          (468)
    <u>Cash flows from financing activities</u>   **1**
    Proceeds of debenture issue   300   **1**
    Dividend paid   (30)   **1**
                       270
    Net increase in cash and cash equivalents **1**   100 **2cf or 1of**
    Cash and cash equivalents at start of year   (42) **1**
    Cash and cash equivalents at end of year   58 **1**   **[25]**

(c) A rights issue is made to raise additional capital (for cash)   **2**
    A bonus issue is funded from reserves   **2**   **[4]**

(d) (i) Share premium   **1**
    Revaluation reserve   **1**

   (ii)   To keep reserves in the most flexible/distributable form **2**
    OR To use capital reserves before revenue reserves   **2**   **[4]**
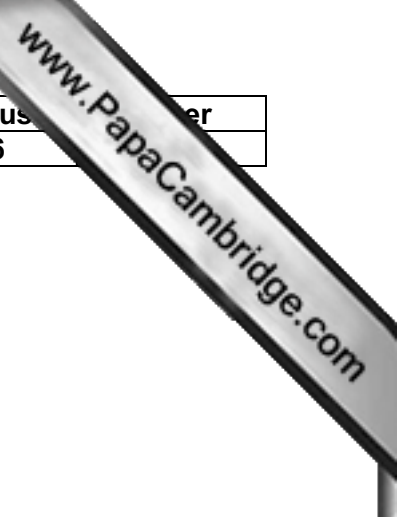
2 (a)   Top Hat Sports Club
                        Income and expenditure account
                    for the year ended 31 December 2010   **1**

    $ $
Annual subscriptions (265 × $150)   39 750 **1**
life subscriptions (3 × $80)   240 **1**
                                                                   39 990

Cafe loss (4 440 – 8 000)   3 560
        1   **1**
Wages (both wages)   10 600
Rent   12 000 ⎫   **1**
General expenses   4 620 ⎬
Heat, light and power (8 240 + 910)   9 150 ⎭   **1**
Depreciation (17200 + 5 300 – 19 500)   3 000   **1**
                                                          42 930
Deficit   2 940 **1of**   [9]

(b)   Balance sheet at 31 December 2010
Non-current assets
Equipment   19 500 **1**

Current assets
Inventory   800   **1**
Subscriptions   750   **1**
Bank   3 780   **1**
                                                   5 330
Current liabilities
Cafe payables   760   **1**
Heat, light and power   910   **1**
Subscriptions   150   **1**
                                   1 820
                                                    3 510
                                                   23 010

Accumulated fund
At 1 January   21 390 **6**
Deficit   (2 940) **1of**
At 31 December   18 450
life members' fund (3 × $1 600 – 240)   4 560 **1of**
                                                     23 010

21 390 = 4 320 + 420 + 450 + 17 200 – 700 – 300   [15]

  1of   **1**   **1**   **1**   **1**   **1**

(c)

Not-for-profit organisation	Public limited company
Has balance sheet	Has statement of financial position
Shows accumulated fund	Shows share capital and reserves
Has income and expenditure account	Has income statement
Shows surplus or deficit	Shows profit or loss
Limited access to financial statements	General access to financial statements
Has receipts and payments account	Has statement of cash flow

2 for any pair   **[max 6]**

(d) Review of business   2
Principal activities   2
Changes in principal activities   2
Dividend recommended   2
Principal risks and uncertainties facing co   2
Position of company at year end   2
Transfers to reserves   2
Key performance indicators – EPS   2
  – including environmental matters   2
    and employee matters   2
Changes to board   2
Subsidiary undertakings   2
Directors' interests   2
Details of AGM   2
Statement of responsibilities   2
Directors' remuneration   2
Research and development   2
Donations   2
Corporate governance   2   **[max 10]**

3 (a) (i) 180 000 + (4 × 4.5) = 10 000 units
                   1   **1of**   **[2]**

    (ii) 150 000 + (2.5 × 10 000) = $6   **2of**   **[2]**

    (iii) 50 000 + (2.5 × 10 000) = $2   **2of**   **[2]**

    (iv) 35 000 + 10 000 = $3.50   **2of**   **[2]**

    (v) $\underline{15\,000 + \$10}$ **1** × 100 = 15% **1of**
                       10 000   **1of**   **[3]**

  (b) (i) 10 000 – 1 500 – 700 = 7 800 units
                       1of   **1**   **1**   **[3]**

(ii) Finished goods

Process 1	367 059	(7 800/8 500) × 400 000
		1of **1**
Direct materials	46 800	7 800 × (1.5 × 4)
		1 **1**
Direct labour	78 000	7 800 × (2 × 5)
		1 **1**
Variable overhead	39 000	7 800 × (2 × 2.5)
		1 **1**
Fixed overhead	15 600	7 800 × 2
		1 **1**
	<u>546 459</u> **1of**	**[11]**

(iii) Work in progress

Process 1	32 941	(700/8 500) × 400 000
		1of **1**
Direct materials	2 100	700 × (1.5 × 4 × 0.5)
		1 **1**
Direct labour	5 250	700 × (2 × 5 × 0.75)
		1 **1**
Variable overhead	2 625	700 × (2 × 2.5 × 0.75)
		1 **1**
	<u>42 916</u> **1of**	**[9]**

(c)   Process 2

$					
Process 1	400 000	**1**	WiP	42 916	
DM (46 800 + 2 100)	48 900	**1of**	Fin goods	546 456	**1of**
DL (78 000 + 5 250)	83 250	**1of**			
VO (39 000 + 2 625)	41 625	**1of**			
FO	<u>15 600</u>	**1of**			
	<u>589 375</u>	**1of**		<u>589 375</u>	**[6]**