UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the May/June 2011 question paper

for the guidance of teachers

9706 ACCOUNTING

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

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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	
Operating activities			
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**
Cash flows from investing activities			**1**
Proceeds of sale of non-current assets	20		**1**
Purchase of non-current assets	(488)		**1**
		(468)	
Cash flows from financing activities			**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]**

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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

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

[15]

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

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

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(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**	
	546 459	**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**	
	42 916	**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	15 600	**1of**				
	589 375	**1of**		589 375		**[6]**

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