UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the May/June 2011 question paper

for the guidance of teachers

9706 ACCOUNTING

9706/43 Paper 4 (Problem Solving (Supplement)), maximum raw mark 120

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UNIVERSITY of CAMBRIDGE
International Examinations

1 (a)

Frog Log plc
Statement of Financial Position at 30 April 2011

	$000	$000	$000		
Non-current assets					
Premises			525	**2**	530 **(1)** – 5 **(1)**
Other non-current assets			1 650	**4**	2 012**(1)** – 270**(1)** + 20**(1)**
			2 175		– 112**(1)**
Current assets		1 610		**1**	
Current liabilities					
Convertible loan stock 2011	100			**1 + 1** for position	
Trade and other payables	545			**7**	
		645			
			965		
			3 140		
Non-current liabilities					
Debentures			200	**1**	
			2 940		
Equity					
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			530	**6**	
			2 940		

Trade and other payables
983 – 110 + 170 + 117 – 95 = 1 065 – 1 610 = (545)
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]

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2 (a)

Capital accounts

	P $		R $			P $	R $		
Goodwill	15 000	**1**	10 000	**1**	Balance b/d	150 000	90 000	**1***	
					Goodwill	12 500	12 500	**1***	
Balance c/d	182 500		127 500		Premises	35 000	35 000	**1***	
	197 500		137 500			197 500	137 500		
					Balance b/d	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]**

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3 (a) Production budget

	Jul		Aug		Sep		Oct		Nov		Dec	
Opening inventory	100		250		250		200		200		100	
Production (units)	950	**1**	1 050	**1**	1 350	**1**	1 100	**1**	850	**1**	850	**1**
Sales	–800		–1 050		–1 400		–1 100		–950		–850	
Closing inventory	250		250		200		200		100		100	**[6]**

(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	**1of**	8 400	**1of**	12 150	**1of**	9 900	**1of**	7 650	**1of**	8 500	**1of**

[6]

(c) $76 000 + $199 500 = $275 500
1 **1** **[2]**

(d) Trade receivables budget

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

[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]

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