UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

9706 ACCOUNTING

9706/41 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.

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1 (a) Statement of changes in equity for the year ended 31 March 2012

	Ordinary share capital	Revaluation reserve	General reserve	Retained Earnings
	$000	$000	$000	$000
Balance at 1 April 2011	1200 **1**	–	200 **1**	947 **1**
Profit for the year				355 **1**
Transfer to Gen. reserve			200 **1**	(200) **1**
Revaluation reserve		700 **1**		
Issue of shares	300 **1**			
Dividends paid				(300) **1**
Balance at 31 March 2012	1500 **1**	700 **1**	400 **1**	802 **1** [13]

(b) Statement of Cash flow for the year ended 31 March 2012

	$000	$000	
Profit from operations		636	**1**
Depreciation		126	**1**
Profit on disposal		(19)	**1**
Decrease in inventory		29	**1**
Increase in trade receivables		(42)	**1**
Increase in trade payables		11	**1**
Increase in other payables (excluding interest)		12	**1**
Interest paid		(51)	**1**
Tax paid		(195)	**1**
Net cash from operating activities		507	**1of**
Cash flows from investing activities			
Purchase of non-current assets	(547)		507 **1**+40 **1**
Proceeds of sale of non-current assets	90		**1**
Cash used in investing activities		(457)	**1of**
Cash flows from financing activities			
Proceeds of share issue	300		**1**
Proceeds of debenture issue	100		**1**
Dividend paid	(300)		**1**
Cash from financing activities		100	**1 of**
Net increase in cash and cash equivalents		150	**1of**
Cash and cash equivalents at beginning of year		(71)	**1**
Cash and cash equivalents at end of year		79	**1** [21]

(c) Proposed final dividend – shown as a note to the financial statements. **2**
No liability shown in financial statements. **2**
Still subject to approval by shareholders **2** [max 4]

(d) Dividend
Share issue etc.
Any one for **2** marks [2]

[Total: 40]

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2 (a) A debit balance on a current account arises when a partner has withdrawn more money than he is entitled to and is therefore in debt to the partnership. [2]

(b) A partnership may be dissolved
- as the partners are constantly in disagreement and can no longer work together.
- as the partnership is no longer liquid and further trading would increase the debt.
- as the partnership is no longer profitable
- as a partner wishes to set up on his own, or a partner dies or retires.

1 mark per point [3 Max]

(c)

Capital Accounts

	N		K		A			N		K		A	
							balance b/d 1	10 000		20 000		58 000	
current a/c	5 350	**1**					current a/c			6 250	**1**	21 100	**1**
Inv'trie					19 120	**1**	bank account	4 290	**1OF**				
motor veh.					17 000	**1**							
realisation acc	8 940	**1OF**	5 960	**1OF**	2 980	**1OF**							
bank acc			20 290	**1OF**	40 000	**1OF**							
	14 290		26 250		79 100			14 290		26 250		79 100	[12]

Realisation account

	$			$	
Property	90 000		Trade payables	14 600	
Motor vehicle	19 000		Property	80 000	**1**
Inventories	20 000		Inventories-A cap acc	19 120	**1**
Trade receivables	16 800		Motor veh-A cap acc	17 000	**1**
Trade payables	13 140	**1**	Trade receivables	15 960	**1**
Cost of dissolution	5 620	**1**			
			Capital account		
			N	8 940	**1OF**
			K	5 960	**1OF**
			A	2 980	**1OF**
	164 560			164 560	

note alternative layouts accepted for realisation account [9]

Bank Account

	$			$	
trade receivables	15 960	**1OF**	balance b/d	21 200	**1**
property	80 000	**1**	trade payables	13 140	**1OF**
N capital ac	4 290	**1OF**	cost of dissolution	5 620	**1**
			K capital ac	20 290	**1OF**
			A capital ac	40 000	**1OF**
	100 250			100 250	[8]

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(d) Total capital is \$60 200 ×2 = 120 400 **1**, split 3:2 is
72 240 shares for Avtandil **1OF**
48 160 shares for Damir **1OF**

Working;

	\$	
Motor vehicle	17 000	**1 for both**
Inventories	19 120	
	36 120	
Cash	24 080	**1**
	60 200	**1**

[6]

[Total: 40]

3 **(a)** The purpose of standard costing is to help management in the planning and control of the business **1** and links with the budgetary control system **1**. It provides a benchmark to measure actual performance **1** and identifies areas where savings could be made. **1** [4]

(b)

	\$	
Materials	48.00	**1**
Labour	22.50	**1**
Overheads	10.50	**1**
Total Cost	81.00	**1**
Margin	19.00	
Selling Price	100.00	**3OF**

[7]

(c) **(i)** Sales price variance: \$102.50 – \$100.00 **1OF** × 5 100 = \$12 750 F **2OF** + **1OF** [4]

(ii) Sales volume variance = 100 × \$100 = \$10 000F **2** [2]

(iii) Material price variance = \$0.25 × 43 460 = \$10 865 A **2** [2]

(iv) Material usage variance = 1 060 × \$6 = \$6 360 A **2** [2]

(v) Labour rate variance = \$0.25 × 15 500 = \$3 875A **2** [2]

(vi) Labour efficiency variance = 400 × \$7.50 = \$3 000F **2** [2]

(d) Sales volume – Increase in demand for product **1**
Sales Price – Ability to charge higher price because of increased demand **1**
Material price – Increase in cost of material because of change in supplier **1**
Material usage – more waste than expected. **1**
Labour rate = Pay increase or decrease / different grade of labour employed **1**
Labour efficiency = More skilled staff / different materials used which may effect efficiency **1**
[6]

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(e)

		Alphas	Betas	Deltas		
Contribution per unit		$15	$10	$12		
Cont. per lab. hr		$3	$2.5	$4	**1OF**	
Ranking		2	3	1	**1OF**	
4 000 units D	**1**	Contribution	48 000		Labour hours left 8 000	
4 000 units A	**1**	Contribution	60 000		Labour hours left 8 000	
2 000 units B	**1**	Contribution	20 000	**1OF**	Labour hours left NIL	**1OF**
			128 000			
Less fixed costs			(75 000)	**1OF**		
Net profit			53 000	**1OF**		[9]

[Total: 40]

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