CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the October/November 2013 series

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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1 (a)

Manchi plc
Calculation of budgeted profit from operations
for the year ending 30 September 2014

	$000	$000	
Budgeted profit for the year		214	**(1)**
Less: income from investments:		40	**(1)**
		174	
Add: interest payable	91 **(1)**		
tax charge	160 **(1)**		
		251	
Budgeted profit from operations		425	**(1)OF**

[5]

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(b)

Manchi plc
Budgeted statement of cash flows from operations
for the year ending 30 September 2014

		$000	
Budgeted profit from operations		425	**(1)OF**
Adjustments:			
Depreciation – buildings		50	**(1)**
– plant and equipment		255	**(1)**
– motor vehicles		25	**(1)**
Loss on sale of plant and equipment		10	**(1)**
Impairment of investments		60	**(1)**
Increase in inventories		(40)	**(1)**
Decrease in trade receivables		35	**(1)**
Increase in trade payables		115	**(1)**
Cash from operations		935	
Interest payable		(91)	**(1)OF**
Tax payable		(280)	**(1)**
Budgeted net cash flow from operations		564	**(1)OF**
Investing activities			
Purchase of non-current assets			
Buildings	(80) **(1)**		
Plant and equipment	(280) **(1)**		
Motor vehicles	(30) **(1)**		
Goodwill	(50) **(1)**		
Proceeds of sale of non-current assets	10 **(1)**		
Income from investments	40 **(1)**		
		(390)	**(1)OF**
Financing activities			
Proceeds of issue of debentures	300 **(1)**		
Dividends payable	(110) **(1)**		
		190	**(1)OF**
Budgeted net increase in cash and cash equivalents		364	**(1)OF**
Cash and cash equivalents at 1 October 2013		210	**(1)**
Budgeted cash and cash equivalents at 30 September 2014		574	**(1)OF**

[25]

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(c) Manchi plc
Note to the budgeted statement of financial position
for the year ending 30 September 2014

Property, plant and equipment	Land	Buildings equipment	Plant and vehicles	Motor	Total	
	$000	$000	$000	$000	$000	
Cost/valuation						
Balance at 1 October 2013	1 500	800	1 500	150	3 950	**(1)**
Revaluation	100				100	**(1)**
Purchases		80	280	30	390	**(1)**
Disposals			(35)		(35)	**(1)**
Balance at 30 September 2014	1 600	880	1 745	180	4 405	**(1)OF**
Depreciation						
Balance at 1 October 2013		250	600	50	900	**(1)**
Disposals			(15)		(15)	**(1)**
Charge for the year		50	255	25	330	**(1)**
Balance at 30 September 2014		300	840	75	1 215	**(1)OF**
Net book value						
Balance at 30 September 2014	1 600	580	905	105	3 190	**(1)OF**

[10]

[Total: 40]

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2 (a) Realisation account

	$				$	
Land and buildings	195 000	{		Trade payables	2 150	**(1)**
Motor vehicles	43 750	{		E – Motor vehicle	10 000	**(1)**
Fixtures and fittings	32 645	**(1)** all 3		F – Motor vehicle	7 500	**(1)**
Inventories	29 875	**(1)**		Bank: Land and builds. 214 500 **(1)**		
Trade receivables	4 015	**(1)**		Fixtures and fittings 26 116 **(1)**		
Dissolution costs	3 450	**(1)**		Motor vehicles 18 500 **(1)**		
				Inventories 21 000 **(1)**		
					280 116	
				Capital a/c D 4 484 **(1)of**		
				E 2 990 **(1)of**		
				F 1 495 **(1)of**		
					8 969	
	308 735				308 735	**[14]**

(b) Bank account

31 Dec. 2013	$		31 Dec. 2013		$	
Bal. b/d.	6 850	**(1)**	Trade payables		12 500	**(1)**
Trade receivables	15 750	**(1)**	Dissolution costs		3 450	**(1)**
Realisation a/c	280 116	**(1)**	Loan		100 000	**(1)**
			Interest		6 335	**(1)**
			Cap. a/c D 89 381 **(1)of**			
			E 61 920 **(1)of**			
			F 29 130 **(1)of**			
					180 431	
	302 716				302 716	**[10]**

(c) Partners' capital accounts

	D $		E $		F $			D $	E $		F $	
							Bal. b/d	60 000	50 000		40 000	**(1)**
Current a/c					1 875		Current a/c	33 865	24 910	**(1)**		
Realisation	4 484	**(1)of**	2 990	**(1)of**	1 495	**(1)of**						
Real. – M.V.			10 000	**(1)**	7 500	**(1)**						
Bank	89 381	**(1)of**	61 920	**(1)of**	29 130	**(1)of**						
	93 865		74 910		40 000			93 865	74 910		40 000	

[10]

(d) Death of one of the partners.
Insolvency of one of the partners.
Disagreement between the partners meaning they are unable to work together.
Change to public/private company (incorporation).

3 × 2 marks each [6]

[Total: 40]

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3 (a) Expected monthly contribution.

$26 – (2.4 × 3) – (1.5 × 7) = $8.3 p.u. × 6000 = $49 800
(1) (1) (1) (1) (1) (1) (1) (1of)

OR

		$	$
Sales (6000 × 26)	**(1)**		156 000
DM (6000 × 2.4 × 3)	**(3)**	(43 200)	
DL (6000 × 1.5 × 7)	**(3)**	(63 000)	
			(106 200)
Contribution	**(1of)**		49 800

[8]

(b) 14 400 kg **(2)** **[2]**

		$
(c) (i)	sales price variance	3 000 F
(ii)	materials usage variance	3 600 A
(iii)	materials price variance	18 720 F
(iv)	total material variance	15 120 F
(v)	labour efficiency variance	25 200 A
(vi)	labour rate variance	10 080 A
(vii)	total labour variance	35 280 A **(2 each) (iv) and (vii) of**

[14]

(d)

	$	
Original contribution	49 800	**(1of)**
Sales price	3 000	**(1of)**
Material usage	(3 600)	**(1of)**
Material price	18 720	**(1of)**
Labour efficiency	(25 200)	**(1of)**
Labour rate	(10 080)	**(1of)**
Actual contribution	32 640	**(1of)**

[7]

(e)

	$	
Original contribution	49 800	**(1of)**
Adj for new price	3 000	**(2)**
	52 800	
Less actual contribution	(32 640)	**(1of)**
Loss	20 160	**(1of)**
OR		
Material usage	(3 600)	**(1of)**
Material price	18 720	**(1of)**
Labour efficiency	(25 200)	**(1of)**
Labour rate	(10 080)	**(1of)**
Loss	20 160	**(1of)**

[5]

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(f) 'Flexing a budget' means to adjust original budgeted figures to allow for a change in the activity level **(2 + 2 for dev) [4]**

[Total: 40]

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