

**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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	GCE A LEVEL – May/June 2011	9706	43

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		<u>1 650</u>	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	<u>545</u>		7
		<u>645</u>	
			<u>965</u>
			3 140
Non-current liabilities			
Debentures		<u>200</u>	1
		<u>2 940</u>	
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		<u>530</u>	6
		<u>2 940</u>	

Trade and other payables
 $983 - 110 + 170 + 117 - 95 = 1\,065 - 1\,610 = (545)$
 1 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]

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	<u>182 500</u>		<u>127 500</u>		Premises	<u>35 000</u>	<u>35 000</u>	1*
	<u>197 500</u>		<u>137 500</u>		Balance b/d	<u>197 500</u>	<u>137 500</u>	
						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
				34 540	3 200	
Salaries	P	(5 000)	1		(12 000)	1
	R	(2 000)	1	(7 000)	(9 000)	1
				(9 000)	(21 000)	
IOC	P	(7 500)	1		(9 125)	1of
	R	(4 500)	1	(12 000)	(6 375)	1of
				15 540	(15 500)	
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]

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	<u>-800</u>	<u>-1 050</u>	<u>-1 400</u>	<u>-1 100</u>	<u>-950</u>	<u>-850</u>
Closing inventory	<u>250</u>	<u>250</u>	<u>200</u>	<u>200</u>	<u>100</u>	<u>100</u> [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	<u>266 000</u> 1	<u>220 000</u> 1	<u>190 000</u> 1	<u>170 000</u> 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	<u>3 990</u> 1	<u>5 320</u> 1	<u>4 400</u> 1	<u>3 800</u> 1
Closing balance	<u>365 750</u> 1of	<u>353 000</u> 1of	<u>300 000</u> 1of	<u>265 000</u> 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]