

**MARK SCHEME for the October/November 2011 question paper
for the guidance of teachers**

9706 ACCOUNTING

9706/42

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 must be read in conjunction with the question papers and the report on the examination.

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1 (a) **Dissolution account**

Land and buildings	180 000 (1)	Capital – A (motor vehicle)	6 000 (1)
Fixtures and fittings	28 000 (1)	Capital – B (motor vehicle)	4 500 (1)
Motor vehicles	14 500 (1)	Bank:	
Inventories	25 450 (1)	Land and buildings	142 500 (1)
Bad debts	400 (1)	Fixtures and fittings	22 500 (1)
Bank	1 500 (1)	Inventories	18 750 (1)
		Discounts	200 (1)
		Loss on dissolution.	
		Anton	27 700 (1 of)
		Bassini	13 850 (1 of)
		Cartwright	13 850 (1 of)
	<u>249 850</u>		<u>55 400</u>
			<u>249 850</u> [15]

(b) **Capital accounts**

	A	B	C		A	B	C
				Bal. b/d	100 000	50 000	50 000 (1)
Current a/c			2 155 (1)	Current a/c	19 532	7 623	(1)
Diss. a/c (mv)	6 000 (1)	4 500 (1)					
Loss	27 700	13 850	13 850 (1 of)				
Bank	<u>85 832 (1)</u>	<u>39 273 (1)</u>	<u>33 995 (1)</u>				
	<u>119 532</u>	<u>57 623</u>	<u>50 000</u>		<u>119 532</u>	<u>57 623</u>	<u>50 000</u> [9]

(c) **Bank account**

Bal b/d	8 350 (1)	Trade payables	10 000 (1)
Trade receivables	13 500 (1)	Diss. exps.	1 500 (1)
Diss. a/c.:		Anton – Loan a/c.	35 000 (1)
L and b	142 500	Capital a/c.:	
F and f	22 500	A	85 832 (1 of)
Invents.	<u>18 750</u>	B	39 273 (1 of)
		C	<u>33 995 (1 of)</u>
	<u>205 600</u>		<u>159 100 (1 cf)</u>
			<u>205 600</u> [10]

- (d) (i) Option 1 $200\,000 \times 6\% = 12\,000$ (1)
Option 2 $80\,000 \times 0.15 = 12\,000$ (1)

- (ii) Both options give the same annual return. (1 of)
Option 1 is fixed. (1) Option 2 may fluctuate (depending on profit). (1)
Option 2 gives ownership rights (1) and voting rights (1).
Debentures are safer investment. (1) **Max. 3 marks for reasons** [6]

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2011	9706	42

2 (a)

Ashbourne plc
Income statement
for the year ended 30 June 2011

		\$000	
Revenue		7 216	(1)
Deduct: Cost of sales			
Opening inventories	1 596		(1)
Purchases	<u>4 425</u>		(1)
	6 021		
Closing inventories	<u>(1 730)</u>	4 291	
Gross profit		2 925	(1 cf) and label
Distribution costs		(1 485)	
Administrative expenses		<u>(1 098)</u>	(1) both
Profit from operations (1)		342	(1 of)
Interest		<u>(160)</u>	(2)
Retained earnings for the year (1)		<u>182</u>	(1 of) [12]

(b)

Ashbourne plc
Statement of Financial Position
at 30 June 2011

ASSETS

Non-current assets

	Cost \$000	Deprn. \$000	NBV \$000	
Land and buildings	9 473	2 173	7 300	(1 of)
Other non-current assets	1 058	236	<u>822</u>	(1)
			<u>8 122</u>	

Current assets

Inventories	1 730			
Trade receivables	897			
Prepaid expenses	265	(1) all		
Bank	<u>74</u>	(1)	<u>2 966</u>	(1 cf)
Total assets			<u>11 088</u>	

EQUITY AND LIABILITIES

Equity

Ordinary share capital:				
10 000 000 ordinary shares of 50c			5 000	(1)
Share premium			2 500	(1)
Revaluation reserve (1)			1 000	(1)
Retained earnings			<u>189</u>	(5)
Total equity			<u>8 689</u>	(1 of)

Non-current liabilities

8% Debentures 2020			<u>2 000</u>	(1)
			<u>2 000</u>	

Current liabilities

Trade payables			173	
Accrued expenses			146	(1)
Interest			<u>80</u>	(2)
			<u>399</u>	

Total liabilities

			<u>2 399</u>	
Total liabilities and equity			<u>11 088</u>	

Retained earnings: 232 (1) + 182 (1 of) – 100 (1) – 125 (1) = 189 (1 of) [20]

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2011	9706	42

- (c) Adjusting events provide evidence of conditions existing at the statement of financial position date. **(1)**
 Accounts should be adjusted. **(1)**
 Non-adjusting events - conditions not existing at the statement of financial position date. **(1)**
 Event should be noted in the accounts if material. **(1)** [4]

- (d) Flood is non-adjusting as condition did not exist at statement of financial position date. **(1)**
 No adjustment required. **(1)**
 Dividend declared after statement of financial position date. **(1)**
 No adjustment required. **(1)** [4]

3 (a)

Ada Campellini
Cash budget for November – January

	November \$	December \$	January \$	
<u>Receipts</u>				
Cash sales	145 700 (1)	199 750 (1)	91 650 (1)	
Sales 1 month	54 563 (1)	75 175 (1)	103 063 (1)	
Sales 2 months	<u>53 750 (1)</u>	<u>56 250 (1)</u>	<u>77 500 (1)</u>	
	<u>254 013</u>	<u>331 175</u>	<u>272 213</u>	
<u>Payments</u>				
Cash purchases	70 560 (1)	38 880 (1)	38 880 (1)	
Purchases 1 month	74 480 (1)	96 040 (1)	52 920 (1)	
Purchases 2 months	52 500 (1)	57 000 (1)	73 500 (1)	
General expenses	18 000	19 800 (1)	16 830 (1)	
Storage system	12 000 (1)	1 000	1 000 (1) both	
Drawings	<u>3 000</u>	<u>6 375</u>	<u>3 000 (1) all three</u>	
	<u>230 540</u>	<u>219 095</u>	<u>186 130</u>	
Bank:				
Opening balance	34 850	58 323 (1 of)	170 403 (1 of)	
Net cash flow	<u>23 473</u>	<u>112 080</u>	<u>86 083 (1 of) all three</u>	
Closing balance	<u>58 323 (1 of)</u>	<u>170 403 (1 of)</u>	<u>256 486 (1 of) + (1 cf)</u>	[30]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2011	9706	42

(b)

Ada Campellini
Budgeted Income statement for November – January.

	\$	\$
Sales		930 000 (1)
Deduct: Cost of sales		
Opening inventory	180 000	
Purchases	<u>515 000</u>	
	695 000	
Closing inventory	<u>129 000</u>	<u>566 000 (1)</u>
Gross profit		364 000
Discount received		<u>10 740 (2)</u>
		374 740
Deduct: Expenses		
Discount allowed	35 100 (2)	
General expenses	54 630 (1)	
Depreciation	<u>5 850 (2)</u>	<u>95 580</u>
Profit for the year		<u><u>279 160 (1 of)</u></u>

Discount received	6 180 (1)	+ 4 560 (1)	= 10 740
Discount allowed	27 900 (1)	+ 7 200 (1)	= 35 100
Depreciation	5 250 (1)	+ 600 (1)	= 5 850

[10]