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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2009 question paper for the guidance of teachers

9706 ACCOUNTING

9706/41 Paper 41 (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) Balance sheet immediately after implementation of option 1

		$		$		
Fixed assets				350 000	**(2)**	[100 000 **(1)** + 250 000 **(1)**]
Current assets						
Stock		38 100	**(1)**			
Debtors		24 800	**(1)**			
Bank		69 675	**(1)**			
		132 575				
Current liabilities						
Creditors		(18 850)	**(1)**	113 725		
				463 725		
Long term liability						
Loan				250 000	**(1)**	
				213 725		
Capital accounts	Yip			130 000	**(5)**	[80 **(1)** + 14 **(2)** + 48 **(1)** – 12 **(1)**]
	Sim			75 000	**(5)**	[50 **(1)** + 7 **(2)** + 24 **(1)** – 6 **(1)**]
	Danny			6 000	**(2)**	[60 **(1)** – 54 **(1)**]
Current accounts	Yip			4 875	} **(1)**	
	Sim			(2 150)		
				213 725		

[20]

(b) Balance sheet immediately after implementation of option 2

	$		$		
Fixed assets			350 000	**(2)**	
Goodwill			31 275	**(2of)**	
			381 275		
Current assets					
Stock	38 100*	} **1** mark all 3 from **(a)**			
Debtors	24 800*				
Bank	9 675*				
	72 575				
Current liabilities					
Creditors	(18 850)	**(1)**	53 725		
			435 000		
Long term liability					
Loan			250 000	**(1)**	
			185 000		
Capital – Danny			185 000	**(1)**	[8]

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(c) Option 2

	$	
Profits available	66 000	**(1)**
New profits	50 000	**(1)**
	116 000	
Less interest	20 000	**(1)**
	96 000	

All profit goes to Danny in option 2

Option 1

		$	
Split	Danny	51 750	**(3)** + 27 000 **(1)**
	Yip	11 500	
	Sim	5 700	

[7]

(d) Choose option 2 **(1)** $96 000 profit whichever option is chosen. In option 2 Danny would earn all the profit **(1)**, with option 1 he would earn only $78 750 **(1)** so $125 000 **(2)** extra investment ($185 000 rather than $60 000) will earn him $17 250 more in profits **(2)** ($96 000 rather than $78 750), plus potentially more in the future **(1)**. A 13.8% marginal return **(2)**.

Non financial factors up to 2 marks
1 mark for recognition plus 1 for development [max 5]

2 **(a)** Do nothing if indeed the cash deficit is only for one month.
Reschedule payments.
Get debtors to pay more quickly.
Negotiate temporary overdraft facility.
Other sensible solutions to be rewarded accordingly.

1 mark for recognition plus 1 mark for development [max 4]

(b) Forecast trading and profit and loss and appropriation accounts for the three months ending 31 December 2009

	$		$		
Sales			132 000	**(3)**	[37 **(1)** + 47 **(1)** + 48 **(1)**]
Less cost of sales					
Stock	1 000	**(1)**			
Purchases	63 000	**(3)**			[18 **(1)** + 21 **(1)** + 24 **(1)**]
	64 000				
Stock	2 000	**(1)**	62 000		
Gross profit (must say)			70 000	**(1)**	
General expenses	53 800	**(1)**			
Loss on sale of fixed asset	1 000	**(3)**			[20 000 **(1)** – 11 000 **(1)** – 8 000 **(1)**]
Depreciation W1	5 450	**(3of)**	60 250		
Net profit			9 750	**(1of)**	
Dividend			4 000	**(1)**	
Retained profit for the year			5 750	**(1 of)**	

W1 218 000 **(1)** × 10% **(1)** × ¼ **(1)** [19]

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(c) Balance sheet at 31 December 2009

			$		$	
Fixed assets			218 000	**(3)**		[210 **(1)** + 17 **(1)** – 9 **(1)**]
Depreciation			5 450	**(1of)**	212 550	
Current assets						
Stock			2 000	**(1)**		
Debtors			62 000	**(2)**		[18 800 **(1)** + 43 200 **(1)**]
Bank			11 950	**(1)**		
			75 950			
Current liabilities						
Creditors	24 000	**(1)**				
Owed for fixed asset	8 500	**(2)**				
			32 500		43 450	
					256 000	
Share capital and reserves						
Ordinary share capital					200 000	**(2)** [150 **(1)** + 50 **(1)**]
Share premium					15 000	**(2)** [40 **(1)** – 25 **(1)**]
Profit and loss account					41 000	**(2of)** [35 250 **(1)** + 5750 **(1of)**]
					256 000	

[17]

3 (a)

Overhead	Total	Basis	Departments A	B	Canteen
	$		$	$	$
Rent and rates	10 000	Floor area **(1)**	5 200	4 000	800 **(1)**
Insurance	2 625	Cost of mach'y **(1)**	2 000	500	125 **(1)**
Heat and light	7 500	Floor area **(1)**	3 900	3 000	600 **(1)**
Supervisory wages	12 100	No of staff **(1)**	3 300	7 700	1 100 **(1)**
Power	4 800	Kwh **(1)**	3 600	900	300 **(1)**
Depreciation	9 030	Cost of mach'y **(1)**	6 880	1 720	430 **(1)**
			24 880	17 820	3 355
		(3 all of)	1 006	2 349	(3 355)
	46 055		25 886 **(1)**	20 169 **(1)**	

[17]

(b) Department A Machine hours 25 886 **(1of)** = $1.50 **(2) (1of)**
17 250 **(1)**

Department B Labour hours 20 169 **(1of)** = $1.60 **(2) (1of)**
12 605 **(1)**

[8]

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(c) Job 55/ZR

	$		
Raw materials	44.40	**(1)**	
Variable overheads	30.50	**(1)**	
Department A	21.00	**(2of)**	[14 hours **(1)** × $1.50 **(1of)**]
Department B	9.60	**(2of)**	[6 hours **(1)** × $1.60 **(1of)**]
	105.50		
Mark up	63.30	**(1of)**	
Selling price	168.80	**(1of)**	[8]

(d) Kustom Bilt car order

	$	
Raw materials	37.00	**(1)**
Variable overheads	18.30	**(1)**
Power	28.00	**(1)**
	83.30	
Contribution	16.70	**(1of)**
Selling price	100.00	**(1)**

Accept order **(1)** it makes a positive contribution **(1of)**
Other factors mentioned i.e. future orders etc. 1 mark [max 7]

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