

**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:  |            | <u>40</u>  | (1)   |
|                                 |            | 174        |       |
| Add: interest payable           | 91         |            | (1)   |
| tax charge                      | <u>160</u> |            | (1)   |
|                                 |            | <u>251</u> |       |
| Budgeted profit from operations |            | <u>425</u> | (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                              |              | <u>115</u>   | (1)   |
| Cash from operations                                    |              | 935          |       |
| Interest payable                                        |              | (91)         | (1)OF |
| Tax payable                                             |              | <u>(280)</u> | (1)   |
| Budgeted net cash flow from operations                  |              | 564          | (1)OF |
| <i>Investing activities</i>                             |              |              |       |
| 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                                 | <u>40</u>    | (1)          |       |
|                                                         |              | (390)        | (1)OF |
| <i>Financing activities</i>                             |              |              |       |
| Proceeds of issue of debentures                         | 300          | (1)          |       |
| Dividends payable                                       | <u>(110)</u> | (1)          |       |
|                                                         |              | <u>190</u>   | (1)OF |
| Budgeted net increase in cash and cash equivalents      |              | 364          | (1)OF |
| Cash and cash equivalents at 1 October 2013             |              | <u>210</u>   | (1)   |
| Budgeted cash and cash equivalents at 30 September 2014 |              | <u>574</u>   | (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<br>equipment | Plant and<br>vehicles | Motor      | Total              |
|-------------------------------|--------------|------------------------|-----------------------|------------|--------------------|
|                               | \$000        | \$000                  | \$000                 | \$000      | \$000              |
| <i>Cost/valuation</i>         |              |                        |                       |            |                    |
| 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  | <u>1 600</u> | <u>880</u>             | <u>1 745</u>          | <u>180</u> | <u>4 405 (1)OF</u> |
| <i>Depreciation</i>           |              |                        |                       |            |                    |
| Balance at 1 October 2013     |              | 250                    | 600                   | 50         | 900 (1)            |
| Disposals                     |              |                        | (15)                  |            | (15) (1)           |
| Charge for the year           |              | <u>50</u>              | <u>255</u>            | <u>25</u>  | <u>330 (1)</u>     |
| Balance at 30 September 2014  |              | <u>300</u>             | <u>840</u>            | <u>75</u>  | <u>1 215 (1)OF</u> |
| <i>Net book value</i>         |              |                        |                       |            |                    |
| Balance at 30 September 2014  | <u>1 600</u> | <u>580</u>             | <u>905</u>            | <u>105</u> | <u>3 190 (1)OF</u> |

[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            | <u>21 000 (1)</u>   |
|                       |                  |                        | 280 116             |
|                       |                  | Capital a/c D          | 4 484 (1)of         |
|                       |                  | E                      | 2 990 (1)of         |
|                       |                  | F                      | <u>1 495 (1)of</u>  |
|                       |                  |                        | 8 969               |
|                       | <u>308 735</u>   |                        | <u>308 735</u> [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                 | <u>29 130 (1)of</u> |
|                   |                |                   | 180 431             |
|                   | <u>302 716</u> |                   | <u>302 716</u> [10] |

**(c)** Partners' capital accounts

| D            | E             | F             | D           | E             | F             |
|--------------|---------------|---------------|-------------|---------------|---------------|
| \$           | \$            | \$            | \$          | \$            | \$            |
|              |               |               | Bal. b/d    | 60 000        | 50 000        |
|              |               |               | Current a/c | 33 865        | 24 910 (1)    |
| Current a/c  |               | 1 875         |             |               |               |
| Realisation  | 4 484 (1)of   | 2 990 (1)of   |             |               |               |
| Real. – M.V. |               | 10 000 (1)    |             |               |               |
| Bank         | 89 381 (1)of  | 61 920 (1)of  |             |               |               |
|              | <u>93 865</u> | <u>74 910</u> |             | <u>93 865</u> | <u>74 910</u> |
|              |               | <u>40 000</u> |             |               | <u>40 000</u> |
|              |               |               |             |               | [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.

$$\begin{array}{ccccccc} \$26 - (2.4 \times 3) - (1.5 \times 7) = \$8.3 \text{ p.u.} \times 6000 = \$49\,800 \\ (1) \quad (1) \quad (1) \quad (1) \quad (1) \quad (1) \quad (1) \quad (1\text{of}) \end{array}$$

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) |          | <u>49 800</u> | [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   | <u>32 640</u> (1of) | [7] |

|                          |                     |     |
|--------------------------|---------------------|-----|
| (e)                      | \$                  |     |
| Original contribution    | 49 800 (1of)        |     |
| Adj for new price        | <u>3 000</u> (2)    |     |
|                          | 52 800              |     |
| Less actual contribution | (32 640) (1of)      |     |
| Loss                     | <u>20 160</u> (1of) |     |
| OR                       |                     |     |
| Material usage           | (3 600) (1of)       |     |
| Material price           | 18 720 (1of)        |     |
| Labour efficiency        | (25 200) (1of)      |     |
| Labour rate              | (10 080) (1of)      |     |
| Loss                     | <u>20 160</u> (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]