

**MARK SCHEME for the May/June 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) Partners' capital accounts**

	A	B	C		A	B	C
	\$	\$	\$		\$	\$	\$
				Bal. b/d	40 000	27 500	49 000 (1)
Goodwill		45 000	45 000 (1)	Goodwill	45 000	30 000	15 000 (1)
				Revaluation	12 000	8 000	4 000 (1)
Loan a/c	50 000 (2)						
Cash	47 000 (1) of (1) cf						
Bal. c/d	<u>97 000</u>	<u>65 500</u>	<u>68 000</u> (1) of				
				Bal. b/d	<u>97 000</u>	<u>65 500</u>	<u>68 000</u>
						20 500	23 000 (1) of

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**(b) Income statement and appropriation account for the year ended 31 December 2012**

	\$
Gross profit	250 000
Inventory adjustment	<u>(10 000)</u>
Adjusted gross profit	<u>240 000</u> (1)

	9 months to 30/9/2012		3 months to 31/12/2012	
	\$	\$	\$	\$
Gross profit		180 000		60 000 (1) of
Salaries	82 500		27 500	
Sundry expenses	21 375		7 125	(1) both
Rent	9 000		3 000	(1)
Electricity	6 375		2 125	(1)
Loan interest			1 250	(1)
		<u>(119 250)</u>		<u>(41 000)</u>
Profit from operations		60 750		19 000 (1) of
Deduct: Salary C		(9 000) (1)	B	(2 500) (1)
Interest on cap. A	2 400 (1) of		B	205 (1) of
B	1 650 (1) of		C	<u>230</u> (1) of <u>(435)</u>
C	<u>2 940</u> (1) of <u>(6 990)</u>			<u>16 065</u>
		<u>44 760</u>		
Profits A		22 380		
B		14 920		8 032
C		<u>7 460</u> (1) of		<u>8 033</u> (1) of
		<u>44 760</u>		<u>16 065</u>

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**(c) Partners' current accounts**

	A	B	C		A	B	C
	\$	\$	\$		\$	\$	\$
				Bal. b/d	7 940	4 675	3 825 (1)
				Salaries		2 500	9 000 (1)
				Int. on cap.	2 400	1 855	3 170 (1) of
				Profits	22 380	22 952	15 493 (1) of
Cash	32 720 (1) of (1) cf						
Bal c/d	<u>32 720</u>	<u>31 982</u>	<u>31 488</u> (1) of				
				Bal. b/d	<u>32 720</u>	<u>31 985</u>	<u>31 490</u>
						31 982	31 488 (1) of

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- (d) Participating Preference Shares – Fixed rate of dividend if sufficient profit. (1)  
 Arrears paid in later years if dividend not paid. (1)  
 Dividend paid before ordinary share dividend. (1)  
 Capital returned to investor prior to ordinary shareholder on winding up. (1)  
 Convertible loan stock – Fixed interest rate. (1)  
 Right to convert to shares at agreed price on agreed date. (1)  
 Therefore usually lower interest rate than debentures. (1)  
 Risk that market price may be lower than agreed price. (1)  
 1 mark for each valid point – maximum 3 for each term.

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[Total: 40]

- 2 (a) Statement of cost, accumulated depreciation and net book value at 31 December 2012

	\$000	
Cost at 1 January 2012	2000	
Additions	100	(1)
Disposals	<u>(200)</u>	(1)
Cost at 31 December 2012	<u>1900</u>	
Accumulated depreciation at 1 January 2012	200	
Depreciation on disposals	(50)	(1)
Charge for the year (1900 – 150 × 10%)	<u>175</u>	(3 or 10F)
Accumulated depreciation at 31 December 2012	<u>325</u>	
Net book value at 31 December 2012	1575	(10F)
Net book value at 31 December 2011	1800	(1)

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**(b) Manik Limited Income Statement for the year ended 31 December 2012**

	\$000	
Revenue	4000	
Cost of sales	<u>1000</u>	
Gross profit	3000	<b>(1, but must be labelled)</b>
Administrative expenses (1700 – 20 <b>(1)</b> – 15 <b>(1)</b> + 175 <b>(10F)</b> )	(1840)	
Distribution costs (450 + 20 <b>(1)</b> )	<u>(470)</u>	
Profit from operations	690	<b>(10F, must be labelled)</b>
Loss on disposal of non-current asset	(5)	<b>(10F)</b>
Finance costs (300 × 10%)	<u>(30)</u>	<b>(1)</b>
Profit before tax	655	<b>(10F, must be labelled)</b>
Tax	<u>(365)</u>	<b>(1)</b>
Profit for the year attributable to equity holders	<u>290</u>	<b>(10F, must be labelled)</b>

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**(c) Statement of changes in equity for the year ended 31 December 2012**

Details	Ordinary Shares \$000	Share Premium \$000	Retained Earnings \$000	Total \$000
At 31 December 2011	500 <b>(1)</b>	–	265 <b>(1)</b>	765
Shares issued	500 <b>(1)</b>	250 <b>(1)</b>		750
Profit for year attr. to equity holders			290 <b>(10F)</b>	290
Dividends paid			(75) <b>(2)</b>	(75)
At 31 December 2012	1000 <b>(1)</b>	250 <b>(1)</b>	480 <b>(10F)</b>	1730

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(d) Statement of financial position at 31 December 2012

	\$000		
Non-current assets			
Plant and machinery (NBV)	1575		<b>(10F)</b>
Current assets			
Inventory	400		
Trade receivables	385		
Other receivables	15	<b>(1)</b>	
Cash and cash equivalents	<u>170</u>		
	<u>970</u>		
Current liabilities			
Trade payables	120		
Tax	365		
Other payables (20 + 10)	<u>30</u>	<b>(2)</b>	
	<u>515</u>		
Non-current liability – Loan	<u>300</u>		
Net assets	<u>1730</u>		
Equity			
Ordinary shares of \$1 each	1000	<b>(1)</b>	
Share premium	250	<b>(1)</b>	
Retained earnings	<u>480</u>	<b>(10F)</b>	
Shareholders' funds	<u>1730</u>	<b>(10F, if labelled)</b>	<b>[8]</b>

(e) Proposed dividends are a non-adjusting event **(1)**

They are not included in the financial statements for the year ended 31 December 2012 **(1)**

They are shown as a note to the accounts for that year **(1)**

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**[Total: 40]**

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**3 (a) (i)** Production Budget

	Jan	Feb	March	April	May
Sales (units)	10 000	11 000	11 000	12 000	12 000
+ Closing inventory	<u>2 200</u> (1)	<u>2 200</u> (1)	<u>2 400</u> (1)	<u>2 400</u> (1)	<u>2 800</u> (1)
	12 200	13 200	13 400	14 400	14 800
– Opening inventory	<u>2 000</u> (1)	<u>2 200</u>	<u>2 200</u>	<u>2 400</u>	<u>2 400</u>
Budgeted production (units)	<u>10 200</u> (1of)	<u>11 000</u> (1of)	<u>11 200</u> (1of)	<u>12 000</u> (1of)	<u>12 400</u> (1of)

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**(ii) Purchases Budget**

	Jan	Feb	March	April
Raw materials used (kilos)	5 100	5 500	5 600	6 000
+ Closing inventory	<u>2 750</u> (1of)	<u>2 800</u> (1of)	<u>3 000</u> (1of)	<u>3 100</u> (1of)
	7 850	8 300	8 600	9 100
– Opening inventory	<u>2 550</u> (1of)	<u>2 750</u>	<u>2 800</u>	<u>3 000</u>
Budget purchases (kilos)	5 300	5 550	5 800	6 100
(value)	\$15 900 (1of)	\$16 650 (1of)	\$17 400 (1of)	\$18 300 (1of)

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**(b) Value of finished goods**

1 January 2014		\$	
Raw materials	(2550 × \$3)	7 650	(1)
Finished goods	(2000 × \$11)	<u>22 000</u>	(1)
		<u>29 650</u>	
30 April 2014			
Raw materials	(3100 × \$3)	9 300	(1of)
Finished goods	(2400 × \$11)	<u>26 400</u>	(1of)
		<u>35 700</u>	

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(c) (i) Summarised manufacturing account for four months ending 30 April 2014

	\$	
Inventory of raw materials at 1 January	7 650	
Purchases of raw materials	<u>68 250</u>	(1of)
	75 900	
Inventory of raw materials at 30 April	<u>(9 300)</u>	(1of) both
Cost of raw materials consumed (44 400 × 1.5)	66 600	(1)
Direct labour and production overheads [44 400 × (11 – 1.5)]	421 800	(1of)
Cost of production (44 400 × 11)	<u>488 400</u>	(2)

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(ii) Summarised income statement for four months ending 30 April 2014

	\$		\$
Revenue (44 000 units)			903 000 (1)
Inventory of finished goods at 1 January	22 000		
Cost of production	<u>488 400</u>	(1of)	
	510 400		
Inventory of finished goods at 30 April	<u>(26 400)</u>	(1of) both	
Cost of sales			<u>484 000</u> (2)
Gross profit			<u>419 000</u> (1of)

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(d) Advantages

- requires planning/co-ordination/communication
- can be a motivator
- causes more efficient use of resources
- leads to cost control.

Other sensible comment rewarded.

**Any two × 1 mark**

Disadvantages

- poor data lead to poor decisions
- without consultation budgets can be a demotivator
- if undemanding can lead to underachievement
- can cause conflict.

Other sensible comment rewarded.

**Any two × 1 mark**

[4]

[Total: 40]