

**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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<b>Page 2</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>GCE A LEVEL – October/November 2013</b>	<b>9706</b>	<b>41</b>

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)
Budgeted profit from operations		<u>251</u>	
		<u>425</u>	(1)OF

[5]

Page 3	Mark Scheme	Syllabus	Paper
	GCE A LEVEL – October/November 2013	9706	41

(b)

Manchi plc  
Budgeted statement of cash flows from operations  
for the year ending 30 September 2014

	\$000	
Budgeted profit from operations	425	<b>(1)OF</b>
Adjustments:		
Depreciation – buildings	50	<b>(1)</b>
– plant and equipment	255	<b>(1)</b>
– motor vehicles	25	<b>(1)</b>
Loss on sale of plant and equipment	10	<b>(1)</b>
Impairment of investments	60	<b>(1)</b>
Increase in inventories	(40)	<b>(1)</b>
Decrease in trade receivables	35	<b>(1)</b>
Increase in trade payables	<u>115</u>	<b>(1)</b>
Cash from operations	935	
Interest payable	(91)	<b>(1)OF</b>
Tax payable	<u>(280)</u>	<b>(1)</b>
Budgeted net cash flow from operations	564	<b>(1)OF</b>
 <i>Investing activities</i>		
Purchase of non-current assets		
Buildings	(80)	<b>(1)</b>
Plant and equipment	(280)	<b>(1)</b>
Motor vehicles	(30)	<b>(1)</b>
Goodwill	(50)	<b>(1)</b>
Proceeds of sale of non-current assets	10	<b>(1)</b>
Income from investments	<u>40</u>	<b>(1)</b>
		<b>(390) (1)OF</b>
 <i>Financing activities</i>		
Proceeds of issue of debentures	300	<b>(1)</b>
Dividends payable	<u>(110)</u>	<b>(1)</b>
	<u>190</u>	<b>(1)OF</b>
Budgeted net increase in cash and cash equivalents	364	<b>(1)OF</b>
Cash and cash equivalents at 1 October 2013	<u>210</u>	<b>(1)</b>
Budgeted cash and cash equivalents at 30 September 2014	<u>574</u>	<b>(1)OF</b>

[25]

<b>Page 4</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>GCE A LEVEL – October/November 2013</b>	<b>9706</b>	<b>41</b>

(c)

Manchi plc

Note to the budgeted statement of financial position  
for the year ending 30 September 2014

Property, plant and equipment	Land	Buildings equipment	Plant and 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]

<b>Page 5</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>GCE A LEVEL – October/November 2013</b>	<b>9706</b>	<b>41</b>

**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	40 000 (1)
Current a/c			1 875	Current a/c	33 865	24 910 (1)	
Realisation	4 484 (1)of	2 990 (1)of	1 495 (1)of				
Real. – M.V.		10 000 (1)	7 500 (1)				
Bank	<u>89 381 (1)of</u>	<u>61 920 (1)of</u>	<u>29 130 (1)of</u>		<u>93 865</u>	<u>74 910</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]**

<b>Page 6</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>GCE A LEVEL – October/November 2013</b>	<b>9706</b>	<b>41</b>

3 (a) Expected monthly contribution.

$$\$26 - (2.4 \times 3) - (1.5 \times 7) = \$8.3 \text{ p.u.} \times 6000 = \$49\,800$$

(1) (1) (1) (1) (1) (1) (1) (1of)

**OR**

		\$	\$	
Sales (6000 × 26)	(1)		156 000	
DM (6000 × 2.4 × 3)	(3)	(43 200)		
DL (6000 × 1.5 × 7)	(3)	<u>(63 000)</u>		
Contribution	(1of)		<u>(106 200)</u>	
			<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	<u>(10 080) (1of)</u>		
Actual contribution	<u>32 640 (1of)</u>		[7]

(e)	\$		
Original contribution	49 800 (1of)		
Adj for new price	<u>3 000 (2)</u>		
	52 800		
Less actual contribution	<u>(32 640) (1of)</u>		
Loss	<u>20 160 (1of)</u>		
<b>OR</b>			
Material usage	(3 600) (1of)		
Material price	18 720 (1of)		
Labour efficiency	(25 200) (1of)		
Labour rate	<u>(10 080) (1of)</u>		
Loss	20 160 (1of)		[5]

<b>Page 7</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>GCE A LEVEL – October/November 2013</b>	<b>9706</b>	<b>41</b>

- (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]