

**MARK SCHEME for the May/June 2012 question paper  
for the guidance of teachers**

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

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**1 (a)** Statement of changes in equity  
for the year ended 31 March 2012

	Ordinary share capital \$000	Revaluation reserve \$000	General reserve \$000	Retained Earnings \$000	
Balance at 1 April 2011	1200	–	200	947	1
Profit for the year				355	1
Transfer to Gen. reserve			200	(200)	1
Revaluation reserve		700			1
Issue of shares	300				1
Dividends paid				(300)	1
Balance at 31 March 2012	<u>1500</u>	<u>700</u>	<u>400</u>	<u>802</u>	1 [13]

**(b)** Statement of Cash flow for the year ended 31 March 2012

	\$000	\$000	
Profit from operations		636	1
Depreciation		126	1
Profit on disposal		(19)	1
Decrease in inventory		29	1
Increase in trade receivables		(42)	1
Increase in trade payables		11	1
Increase in other payables (excluding interest)		12	1
Interest paid		(51)	1
Tax paid		(195)	1
Net cash from operating activities		507	1 of
Cash flows from investing activities			
Purchase of non-current assets	(547)		507 1+40 1
Proceeds of sale of non-current assets	<u>90</u>		1
Cash used in investing activities		(457)	1 of
Cash flows from financing activities			
Proceeds of share issue	300		1
Proceeds of debenture issue	100		1
Dividend paid	(300)		1
Cash from financing activities		100	1 of
Net increase in cash and cash equivalents		150	1 of
Cash and cash equivalents at beginning of year		(71)	1
Cash and cash equivalents at end of year		<u>79</u>	1 [21]

- (c)** Proposed final dividend – shown as a note to the financial statements. **2**  
No liability shown in financial statements. **2**  
Still subject to approval by shareholders **2**

[max 4]

- (d)** Dividend  
Share issue etc.  
Any one for **2** marks

[2]

**[Total: 40]**

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2 (a) A debit balance on a current account arises when a partner has withdrawn more money than he is entitled to and is therefore in debt to the partnership. [2]

- (b) A partnership may be dissolved
- as the partners are constantly in disagreement and can no longer work together.
  - as the partnership is no longer liquid and further trading would increase the debt.
  - as the partnership is no longer profitable
  - as a partner wishes to set up on his own, or a partner dies or retires.

1 mark per point

[3 Max]

(c)

		Capital Accounts									
		N	K	A		N	K	A			
						balance b/d 1	10 000	20 000	58 000		
current a/c	5 350	1				current a/c		6 250	1	21 100	1
Inv'trie				19 120	1	bank account	4 290	10F			
motor veh.				17 000	1						
realisation acc	8 940	10F	5 960	10F	2 980	10F					
bank acc			20 290	10F	40 000	10F					
	<u>14 290</u>		<u>26 250</u>		<u>79 100</u>		<u>14 290</u>	<u>26 250</u>	<u>79 100</u>		[12]

Realisation account

		\$			\$	
Property		90 000		Trade payables	14 600	
Motor vehicle		19 000		Property	80 000	1
Inventories		20 000		Inventories-A cap acc	19 120	1
Trade receivables		16 800		Motor veh-A cap acc	17 000	1
Trade payables		13 140	1	Trade receivables	15 960	1
Cost of dissolution		5 620	1			

Capital account

N	8 940	10F
K	5 960	10F
A	<u>2 980</u>	10F
	<u>164 560</u>	

note alternative layouts accepted for realisation account

[9]

Bank Account

		\$			\$	
trade receivables		15 960	10F	balance b/d	21 200	1
property		80 000	1	trade payables	13 140	10F
N capital ac		4 290	10F	cost of dissolution	5 620	1
				K capital ac	20 290	10F
				A capital ac	<u>40 000</u>	10F
					<u>100 250</u>	
					<u>100 250</u>	

[8]

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- (d) Total capital is \$60 200 × 2 = 120 400 **1**, split 3:2 is  
 72 240 shares for Avtandil **10F**  
 48 160 shares for Damir **10F**

Working;

	\$	
Motor vehicle	17 000	<b>1 for both</b>
Inventories	<u>19 120</u>	
	36 120	
Cash	<u>24 080</u>	<b>1</b>
	<u>60 200</u>	<b>1</b>

[6]

**[Total: 40]**

- 3 (a) The purpose of standard costing is to help management in the planning and control of the business **1** and links with the budgetary control system **1**. It provides a benchmark to measure actual performance **1** and identifies areas where savings could be made. **1** [4]

(b)

	\$	
Materials	48.00	<b>1</b>
Labour	22.50	<b>1</b>
Overheads	10.50	<b>1</b>
Total Cost	<u>81.00</u>	<b>1</b>
Margin	<u>19.00</u>	
Selling Price	<u>100.00</u>	<b>30F</b>

[7]

- (c) (i) Sales price variance: \$102.50 – \$100.00 **10F** × 5 100 = \$12 750 F **20F + 10F** [4]  
 (ii) Sales volume variance = 100 × \$100 = \$10 000F **2** [2]  
 (iii) Material price variance = \$0.25 × 43 460 = \$10 865 A **2** [2]  
 (iv) Material usage variance = 1 060 × \$6 = \$6 360 A **2** [2]  
 (v) Labour rate variance = \$0.25 × 15 500 = \$3 875A **2** [2]  
 (vi) Labour efficiency variance = 400 × \$7.50 = \$3 000F **2** [2]

- (d) Sales volume – Increase in demand for product **1**  
 Sales Price – Ability to charge higher price because of increased demand **1**  
 Material price – Increase in cost of material because of change in supplier **1**  
 Material usage – more waste than expected. **1**  
 Labour rate = Pay increase or decrease / different grade of labour employed **1**  
 Labour efficiency = More skilled staff / different materials used which may effect efficiency **1** [6]

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<b>(e)</b>		Alphas	Betas	Deltas		
	Contribution per unit	\$15	\$10	\$12		
	Cont. per lab. hr	\$3	\$2.5	\$4		<b>10F</b>
	Ranking	2	3	1		<b>10F</b>
	4 000 units D	<b>1</b>	Contribution	48 000		Labour hours left 8 000
	4 000 units A	<b>1</b>	Contribution	60 000		Labour hours left 8 000
	2 000 units B	<b>1</b>	Contribution	<u>20 000</u>	<b>10F</b>	Labour hours left NIL
				128 000		
	Less fixed costs			<u>(75 000)</u>	<b>10F</b>	
	Net profit			<u>53 000</u>	<b>10F</b>	

[9]

**[Total: 40]**