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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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2009	9706	41

1 (a) Balance sheet immediately after implementation of option 1

Fixed assets Current assets Stock Debtors Bank	\$ 38 100 (1) 24 800 (1) 69 675 (1) 132 575	\$ 350 000	(2)	[100 000 (1) + 250 000 (1)]
Current liabilities Creditors	<u>(18 850)</u> (1)	113 725 463 725		
Long term liabilit Loan	у	250 000 213 725	(1)	
Capital accounts	Yip Sim Danny	130 000 75 000 6 000	(5)	[80 (1) + 14 (2) + 48 (1) – 12 (1)] [50 (1) + 7 (2) + 24 (1) – 6 (1)] [60 (1) – 54 (1)]
Current accounts	SYip Sim	4 875 <u>(2 150)</u> <u>213 725</u>	} (1)	[20]

(b) Balance sheet immediately after implementation of option 2

Fixed assets Goodwill	\$	\$ 350 000 (2) <u>31 275</u> (2of) 381 275	
Current assets Stock Debtors Bank	38 100* 24 800* <u>9 675*</u> 72 575	ark all 3 from (a)	
Current liabilities Creditors	<u>(18 850)</u> (1)	<u>53 725</u> 435 000	
Long term liability Loan		250 000 (1) 185 000	
Capital – Danny		<u>185 000</u> (1)	[4

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2009	9706	41

(c) Option 2 \$

Profits available New profits	66 000 (1) <u>50 000</u> (1) 116 000
Less interest	20 000 (1) 96 000

All profit goes to Danny in option 2

Option 1

(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	<u>63 000</u>	(3)			[18 (1) + 21 (1) + 24 (1)]
	64 000				
Stock	<u>2 000</u>	(1)	<u>62 000</u>		
Gross profit (must say)			70 000	(1)	
General expenses	53 800	(1)			
Loss on sale of fixed asset	1 000	(3)		[20 00	0 (1) - 11 000 (1) - 8 000 (1)
Depreciation W1	<u>5 450</u>	(3of)	<u>60 250</u>		
Net profit			9 750	(1of)	
Dividend			<u>4 000</u>	(1)	
Retained profit for the year			5 750	(1 of)	

W1 218 000 (1) × 10% (1) × ¼ (1)

[19]

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2009	9706	41

(c) Balance sheet at 31 December 2009

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

256 000

[17]

3 (a)

				Departments	
Overhead	Total	Basis	Α	В	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)	<u>6 880</u>	<u>1 720</u>	<u>430</u> (1)
			24 880	17 820	3 355
		(3 all of)	<u>1 006</u>	2 349	(3 355)
	<u>46 055</u>		<u>25 886</u> (1)	20 169 (1)	· —
					[17]

(b) Department A Machine hours $\frac{25\ 886}{17\ 250}$ (1of) = \$1.50 (2) (1of) $\frac{25\ 886}{17\ 250}$ (1) Department B Labour hours $\frac{20\ 169}{12\ 605}$ (1of) = \$1.60 (2) (1of) $\frac{20\ 169}{12\ 605}$ (1)

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – October/November 2009	9706	41

(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	<u>168.80</u>	(1of)	[8]

(d) Kustom Bilt car order

	\$	
Raw materials	37.00	(1)
Variable overheads	18.30	(1)
Power	28.00	(1)
	83.30	
Contribution	<u> 16.70</u>	(1of)
Selling price	<u>100.00</u>	(1)

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

[max 7]