

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2007 question paper

9706/04	9706 ACCOUNTING Paper 4 (Problem Solving (Supplement)), maximum raw mark 120
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All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

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1 (a) Capital accounts

	B	J	M		B	J	M
Goodwill	9000 (1)	6000 (1)	6000 (1)	Balances	40000	35000	
Balances	63000	45000 (1 all)	24000	Cash	(1 both)		30000 (1)
	<hr/>			Revaln	32000	16000 w1	
	<u>72000</u>	<u>51000</u>	<u>30000</u>		<u>72000</u>	<u>51000</u>	<u>30000</u>

W1 40000 + 21000 – (5000 + 8000) = B 32000 (2) and J 16000 (2)

May be 18 000 and 9000 (2) and 14 000 and 7000 (2)

[10]

(b) Capital accounts

	B	J	M		B	J	M
Revaln	6 172	4 114	4 114	Balances	63 000	45 000	24 000
Goodwill	2 500 (1)	7 500 (1) w2	5 000 (1)	Cash	(1 all of)		17 914 (1 of)
Cash	37 228 (1 of)						19 314 (1 of)
Balances	<u>17 100</u>	<u>51 300</u>	<u>34 200</u> (*1 of all & both)		<hr/>		
	<u>63 000</u>	<u>62 914</u>	<u>43 314</u>		<u>63000</u>	<u>62 914</u>	<u>43 314</u>
				Balances	17 100	51 300	34 200

W2 25000 + 2400 + 2000 – 15000 = B 6172 (2) J 4114 (2) and M 4114 (2)

Assets B (12 600) (1) J (8400) (1) M (8400) (1)

Goodwill B 6428 (1) J 4286 (1) M 4286 (1)

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(c) Current accounts

	B	J	M		B	J	M	
Balance b/d	1 000	(1)		Balance b/d		4 000	(1)	
Drawings	18 000	17 000	16 000	Profit	12 300	(1)	8 200	(1)
		(1 all)		Salary			4 000	(1)
				Interest	684	(1)	2 052	(1)
				Profit	699	(1)	2 098	(1)
				Balance c/d	5 317		650	1 033
	<u>19 000</u>	<u>17 000</u>	<u>16 000</u>		<u>19 000</u>	<u>17 000</u>	<u>16 000</u>	
Balances b/d	5317	650	1033	(3 of for balances both c/d & b/d)				[16]

[Total: 40]

ALTERNATIVELY

Balance b/d	1 000			Balance b/d		4 000	
Drawings	18 000	17 000	16 000	Profit	12 428	8 286	8 286
				Salary			4 000
				Interest	684	2 052	1 368
				Profit	649	1 948	1 299
				Balances c/d	5 239	714	1 047
	<u>19 000</u>	<u>17 000</u>	<u>16 000</u>		<u>19 000</u>	<u>17 000</u>	<u>16 000</u>
Balances b/d	5 239	714	1 047				

OR

Balance b/d	1 000			Balance b/d		4 000	
Drawings	18 000	17 000	16 000	Profit	12 750	8 500	8 500
				Salary			4 000
				Interest	684	2 052	1 368
				Profit	524	1 573	1 049
				Balances c/d	5 042	875	1 083
	<u>19 000</u>	<u>17 000</u>	<u>16 000</u>		<u>19 000</u>	<u>17 000</u>	<u>16 000</u>
Balances b/d	5 042	875	1 083				

Page 4	Mark Scheme	Syllabus	Paper
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- 2 (a) FRS 10 IAS 38 Intangible assets
 FRS 10 IAS 38 Intangible assets
 SSAP 9 IAS 2 Inventories
 FRS 15 IAS 16 Property plant and equipment
 FRS 18 IAS 37 Provisions contingent liabilities and contingent assets
 12
- [5]

- (b) Original profit 367 500 (1)
 1 (45 000) (1)
 3 (220) (4) 1320 (1) – (1500 (1) – 400 (1))
 4 (5 000) (1)
 5 (400) (1)
316 880 (2 if correct)
 (1 of, zero if goodwill or revaluation included)
- [11]

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(c) Balance sheet at 31 March 2007

	\$	\$	
Fixed assets			
Premises at valuation		745 000 (2)	750 (1) – 5 (1)
Other tangible assets		710 000 *	
Goodwill		135 000 (2)	180 (1) - 45 (1)
		<u>1 590 000</u>	
Current assets			
Stock	59 780 (2 of)		60 000 (1) – 220 (1 of)
Debtors	7 600 (2)		8000 (1) – 400 (1)
Bank	<u>14 000</u> *		
	81 380		All 3* 1 mark
Creditors amounts	<u>42 000</u> *	<u>39 380</u>	
		<u>1 629 380</u>	
Share capital and reserves			
Ordinary share capital		750 000 *	
Preference shares		250 000 *	All 3* 1 mark
Share premium		62 500 *	
Revaluation reserve		250 000 (1)	
Profit and loss account		<u>316 880</u> (1 of)	
		<u>1 629 380</u>	[12]

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(d) Share capital and reserves

Ordinary share capital	850 000 (2)	750 (1) + 100 (1)
Preference shares	50 000 (2)	250 (1) – 200 (1)
Share premium	102 500 (3)	62 500 (1) + 50 000 (1) – 10 000 (1)
Capital redemption reserve	50 000 (1)	
Revaluation reserve	250 000 (1)	
Profit and loss account	<u>256 880</u> (3 of)	316 880 (1 of) – 50 000 (1) – 10 000 (1)
	<u>1 559 380</u>	

[12]

[Total: 40]

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3 (a)

Process 1

Materials	300 000 (1)	Normal loss	6 000 (1)
Labour	1 800 000 (3)	Transfer to proc 2	3 544 000
50 000 (1) × 3 (1) × 12 (1)			
Variable overhead	1 200 000 (3)		
50 000 (1) × 3 (1) × 8 (1)			
Fixed overhead	<u>250 000 (2)</u>		
50 000 (1) × 5 (1)			
	<u>3 550 000</u>		<u>3 550 000</u>

Process 2

Transfer from Proc 1	3 544 000 (1 of)	Transfer to Proc 3	5 154 575 (1 of)
Materials	192 800 (1)	W I P c/d	141 275 (4 of)
			116 675 (1)
			4 800 (1)
Labour			12 000 (1)
47 000 × \$15	705 000 (1)		7 800 (1)
15 (1) × 1600 (1) × 50% (1)	12 000 (3)		
Variable overhead			
9.75 × 47000	458 250 (1)		
9.75 (1) × 1600 (1) × 50% (1)	7 800 (3)		
Fixed overhead			
8 (1) × 47000 (1)	<u>376 000 (2)</u>		
	<u>5 295 850</u>		<u>5 295 850</u>
W I P b/d	141 275		

(b) (i) \$72.92 (1 of) [1]

(ii) \$109.67 (1 of) [1]

(c)

Process 3

Transfer from Proc 2	5 154 575 (1 of)	Transfer to stores	6 931 725 (1 of)
Materials	320 000 *	Scrap	620 (1)
Labour	820 000 *		
Variable overheads	342 770 *		
Fixed overheads	<u>295 000 *</u>		
	<u>6 932 345</u>		<u>6 932 345</u>

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(d) $\frac{6\,931\,725}{47\,000} = \147.48 (2 of)

[2]

(e) Selling price 6000.00 (1)

Less cost of 20 units 2949.60 (1 of)

delivery charges 1020.00 (1) 3969.60

Profit 2030.40 (1 of)

So $\frac{2030.40}{6000.00} = 33.84\%$ (1 of)

[5]

[Total: 40]