

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

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

[20]

(b) Balance sheet immediately after implementation of option 2

| | | | |
|---------------------|---------------------|---------------------|-------------------------|
| | \$ | \$ | |
| Fixed assets | | 350 000 (2) | |
| Goodwill | | <u>31 275 (2of)</u> | |
| | | 381 275 | |
| Current assets | | | |
| Stock | 38 100* | | } 1 mark all 3 from (a) |
| Debtors | 24 800* | | |
| Bank | <u>9 675*</u> | | |
| | 72 575 | | |
| Current liabilities | | | |
| Creditors | <u>(18 850) (1)</u> | <u>53 725</u> | |
| | | 435 000 | |
| Long term liability | | | |
| Loan | | <u>250 000 (1)</u> | |
| | | <u>185 000</u> | |
| Capital – Danny | | <u>185 000 (1)</u> | [8] |

| | | | |
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(c) Option 2

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

All profit goes to Danny in option 2

Option 1

| | | | |
|-------|-------|--------|------------------|
| | | \$ | |
| Split | Danny | 51 750 | (3) + 27 000 (1) |
| | Yip | 11 500 | |
| | Sim | 5 700 | |

[7]

- (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> | 62 000 | (1) |
| Gross profit (must say) | | 70 000 | (1) |
| General expenses | 53 800 | | (1) |
| Loss on sale of fixed asset | 1 000 | | (3) [20 000 (1) – 11 000 (1) – 8 000 (1)] |
| Depreciation W1 | <u>5 450</u> | 60 250 | (3of) |
| 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]

(c) Balance sheet at 31 December 2009

| | | | | | |
|----------------------------|--------------|---------------|--------------|----------------|--|
| | | \$ | | \$ | |
| Fixed assets | | 218 000 | (3) | | [210 (1) + 17 (1) – 9 (1)] |
| Depreciation | | <u>5 450</u> | (1of) | 212 550 | |
| Current assets | | | | | |
| Stock | | 2 000 | (1) | | |
| Debtors | | 62 000 | (2) | | [18 800 (1) + 43 200 (1)] |
| Bank | | <u>11 950</u> | (1) | | |
| | | 75 950 | | | |
| Current liabilities | | | | | |
| Creditors | 24 000 | | (1) | | |
| Owed for fixed asset | <u>8 500</u> | | (2) | | |
| | | <u>32 500</u> | | <u>43 450</u> | |
| | | | | <u>256 000</u> | |
| Share capital and reserves | | | | | |
| Ordinary share capital | | | | 200 000 | (2) [150 (1) + 50 (1)] |
| Share premium | | | | 15 000 | (2) [40 (1) – 25 (1)] |
| Profit and loss account | | | | <u>41 000</u> | (2of) [35 250 (1) + 5750 (1of)] |
| | | | | <u>256 000</u> | |
| | | | | | [17] |

3 (a)

| Overhead | Total | Basis | Departments | | |
|-------------------|---------------|--------------------|------------------|-------------------|----------------|
| | | | A | B | 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 (1)</u> |
| | | | 24 880 | 17 820 | 3 355 |
| | | (3 all of) | <u>1 006</u> | <u>2 349</u> | <u>(3 355)</u> |
| | <u>46 055</u> | | <u>25 886(1)</u> | <u>20 169 (1)</u> | |
| | | | | | [17] |

| | | |
|------------------|---------------|--|
| (b) Department A | Machine hours | <u>25 886</u> (1of) = \$1.50 (2) (1of) |
| | | 17 250 (1) |
| Department B | Labour hours | <u>20 169</u> (1of) = \$1.60 (2) (1of) |
| | | 12 605 (1) |

[8]

| | | | |
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(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 | <u>9.60</u> | (2of) | [6 hours (1) × \$1.60 (1of)] |
| | 105.50 | | |
| Mark up | <u>63.30</u> | (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 | <u>28.00</u> | (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]