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.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.
1 (a) (i) $000
   Increase in retained earnings (1 170 – 1 125) 45 1
   Dividend 30 1
   Profit for the year 75 1

   (ii) Profit for the year 75 1of
        Taxation 28 1
        Interest 32 1
        Profit from operations 135 1of

(b) Statement of cash flows for the year ended 30 April 2011
   $000  $000
   Operating activities
   Profit from operations 135 1of
   Amortisation of patents 25 1
   Depreciation (190 + 24) 214 2
   Increase in inventory (18) 1
   Decrease in trade receivables (4) 1
   Increase in trade payables 7 1
   Profit on disposal (3) 1
   Tax paid (24) 1
   Interest paid (32 + 14 – 4) (42) 3
   Net cash from operating activities 298 1of

   Cash flows from investing activities 1
   Proceeds of sale of non-current assets 20 1
   Purchase of non-current assets (488) 1

   Cash flows from financing activities 1
   Proceeds of debenture issue 300 1
   Dividend paid (30) 1

   Net increase in cash and cash equivalents 270 1
   Cash and cash equivalents at start of year (42) 1
   Cash and cash equivalents at end of year 58 1 [25]

(c) A rights issue is made to raise additional capital (for cash) 2
A bonus issue is funded from reserves 2 [4]

(d) (i) Share premium 1
     Revaluation reserve 1

(ii) To keep reserves in the most flexible/distributable form 2
     OR To use capital reserves before revenue reserves 2 [4]
2 (a) Top Hat Sports Club
Income and expenditure account
for the year ended 31 December 2010 1

$ $
Annual subscriptions (265 × $150)  39 750 1
life subscriptions (3 × $80)        240 1
39 990 1

Cafe loss (4 440 – 8 000)  3 560 1
Wages (both wages) 10 600 1
Rent 12 000 1
General expenses 4 620 1
Heat, light and power (8 240 + 910)  9 150 1
Depreciation (17 200 + 5 300 – 19 500)  3 000 1
42 930 1
Deficit 2 940 1of 9[9]

(b) Balance sheet at 31 December 2010

Non-current assets
Equipment 19 500 1

Current assets
Inventory 800 1
Subscriptions 750 1
Bank 3 780 1
5 330 1

Current liabilities
Cafe payables 760 1
Heat, light and power 910 1
Subscriptions 150 1
1 820 1

Accumulated fund
At 1 January 21 390 6
Deficit (2 940) 1of
At 31 December 18 450 1
life members' fund (3 × $1 600 – 240) 4 560 1of
23 010 1

21 390 = 4 320 + 420 + 450 + 17 200 – 700 – 300 1[15]

1of 1 1 1 1 1 1
(c)

<table>
<thead>
<tr>
<th>Not-for-profit organisation</th>
<th>Public limited company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has balance sheet</td>
<td>Has statement of financial position</td>
</tr>
<tr>
<td>Shows accumulated fund</td>
<td>Shows share capital and reserves</td>
</tr>
<tr>
<td>Has income and expenditure account</td>
<td>Has income statement</td>
</tr>
<tr>
<td>Shows surplus or deficit</td>
<td>Shows profit or loss</td>
</tr>
<tr>
<td>Limited access to financial statements</td>
<td>General access to financial statements</td>
</tr>
<tr>
<td>Has receipts and payments account</td>
<td>Has statement of cash flow</td>
</tr>
</tbody>
</table>

2 for any pair  

[max 6]

(d)

Review of business  
Principal activities  
Changes in principal activities  
Dividend recommended  
Principal risks and uncertainties facing company  
Position of company at year end  
Transfers to reserves  
Key performance indicators – EPS  
– including environmental matters  
and employee matters  
Changes to board  
Subsidiary undertakings  
Directors’ interests  
Details of AGM  
Statement of responsibilities  
Directors’ remuneration  
Research and development  
Donations  
Corporate governance  

[max 10]

3 (a) (i) \[180 000 + (4 \times 4.5) = 10 000 \text{ units}\]  
\[1\text{ of}\]  
[2]

(ii) \[150 000 + (2.5 \times 10 000) = \$6 \]  
\[2\text{ of}\]  
[2]

(iii) \[50 000 + (2.5 \times 10 000) = \$2 \]  
\[2\text{ of}\]  
[2]

(iv) \[35 000 + 10 000 = \$3.50 \]  
\[2\text{ of}\]  
[2]

(v) \[\frac{15 000 + \$10}{10 000} \times 100 = 15\% \]  
\[1\text{ of}\]  
[3]

(b) (i) \[10 000 - 1 500 - 700 = 7 800 \text{ units}\]  
\[1\text{ of}\]  
[3]

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(ii) Finished goods

<table>
<thead>
<tr>
<th>Process 1</th>
<th>367 059 (7 800/8 500) × 400 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>46 800 7 800 × (1.5 × 4)</td>
</tr>
<tr>
<td>Direct labour</td>
<td>78 000 7 800 × (2 × 5)</td>
</tr>
<tr>
<td>Variable overhead</td>
<td>39 000 7 800 × (2 × 2.5)</td>
</tr>
<tr>
<td>Fixed overhead</td>
<td>15 600 7 800 × 2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>546 459</strong></td>
</tr>
</tbody>
</table>

(iii) Work in progress

<table>
<thead>
<tr>
<th>Process 1</th>
<th>32 941 (700/8 500) × 400 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>2 100 700 × (1.5 × 4 × 0.5)</td>
</tr>
<tr>
<td>Direct labour</td>
<td>5 250 700 × (2 × 5 × 0.75)</td>
</tr>
<tr>
<td>Variable overhead</td>
<td>2 625 700 × (2 × 2.5 × 0.75)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42 916</strong></td>
</tr>
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</table>

(c) Process 2

<table>
<thead>
<tr>
<th>$</th>
<th>Process 1</th>
<th>400 000 1</th>
<th>WiP</th>
<th>42 916</th>
</tr>
</thead>
<tbody>
<tr>
<td>DM</td>
<td>(46 800 + 2 100)</td>
<td>48 900 1of</td>
<td>Fin goods</td>
<td>546 456</td>
</tr>
<tr>
<td>DL</td>
<td>(78 000 + 5 250)</td>
<td>83 250 1of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VO</td>
<td>(39 000 + 2 625)</td>
<td>41 625 1of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FO</td>
<td>15 600 1of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>589 375</strong></td>
<td>1of</td>
<td><strong>589 375</strong></td>
<td></td>
</tr>
</tbody>
</table>