

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Level**

## **MARK SCHEME for the May/June 2013 series**

### **9706 ACCOUNTING**

**9706/42**

Paper 4 (Problem Solving), 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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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1 (a) [Share capital less retained deficit] = 780 (3) / [Share capital] = 1200 (1)  
= \$0.65 per share [4]

(b) **Breskens plc**  
Reduction in ordinary share capital

	\$000	
Adjustments to asset values		
Land and buildings (provision for depreciation)	50	(1)
Plant and equipment (provision for depreciation)	80	(1)
Goodwill (impairment)	40	(1)
Investments (impairment)	20	(1)
Inventory (provision for obsolescence)	70	(1)
Trade receivables (bad debts)	40	(1)
Retained earnings written off (\$350 (1) + \$70 (1))	420	(2)
	<hr/>	
Reduction in ordinary share capital	720	(10F)

[10]

(c) **Breskens plc**  
**Statement of financial position at 1 April 2013**

	\$000	\$000
<b>Non-current assets</b>		
Property plant and equipment		
Land and buildings	105	(1)
Plant and equipment	430	(1)
Motor vehicles	50	(1)
	<hr/>	
		585
Goodwill		20 (1 + 1)
Investments		110 (1)
		<hr/>
		715
<b>Current assets</b>		
Inventories	170	(1)
Trade and other receivables	380	(1)
	<hr/>	
		550
<b>Current liabilities</b>		
Trade and other payables	635	(1)
Cash and cash equivalents	150	(1)
	<hr/>	
		785
Net current liabilities		<hr/>
		(235)
<b>Total assets less current liabilities</b>		<hr/>
		480
<b>Equity</b>		
Ordinary share capital (1.2m shares)		<hr/>
		480 (2 OF)

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(d) Nominal value of new shares  $480 (1\text{of}) / 1200 (2) = \$0.40$  per share (1of) [4]

(e) (i) Adjusting event (1) goodwill; land and building written down; depreciation; bad debt; etc.  
Non-adjusting event (1) scheme of reconstruction

(ii) Any of the above with a reason (1) each  $\times 2$  [2]

(f) The directors report must include:  
Implementing the scheme of reconstruction (2)  
The impairment review requiring write downs in asset values (2)  
The directors believe the company is now trading at a profit (2) [6]

[Total: 40]

2 (a) Partners' Capital accounts

	A \$	B \$	C \$		A \$	B \$	C \$
				Bal. b/d	45 000	20 000	10 000
				Cash			10 000
Goodwill	9 000	6 000	3 000	1 Goodwill	10 800	7 200	
Bal c/d	<u>46 800</u>	<u>21 200</u>	<u>7 000</u>				
	<u>55 800</u>	<u>27 200</u>	<u>10 000</u>		<u>55 800</u>	<u>27 200</u>	<u>10 000</u>
				Bal. b/d	46 800	21 200	7 000

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(b) Trading Account

	\$	\$
Revenue		340 650
Less cost of sales		
Opening inventories	23 850	
Purchases	<u>265 760</u>	
	289 610	
Closing inventories	<u>27 100</u>	(262 510)
Gross Profit		<u>78 140</u>

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Closing inventories  $27\ 600 - 500 = 27\ 100$

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(c)

Income statement and appropriation account for year ending 30 June 2012

	9 months to 31 March 2012			3 months to 30 June 2012	
	\$	\$		\$	\$
Gross profit		58 605	<b>1 of</b>		19 535
Less:					
General Expenses	36 000			12 000	<b>3</b>
Depreciation	1 920			640	<b>3</b>
Bad debt	1 350				
		<u>(39 270)</u>	<b>1</b>		<u>(12 640)</u>
Net profit		19 335			6 895
Int. on cap					<b>1 of</b>
A	2 700		<b>1</b>	1 170	
B	1 200		<b>1</b>	530	
C				<u>175</u>	
		<u>(3 900)</u>			<u>(1 875)</u>
		15 435			5 020
Salary					
A				2 000	<b>1</b>
B				1 500	
C				<u>1 000</u>	
					<u>(4 500)</u>
					520
Profit					
A	9 261		<b>1 of</b>	260	<b>1 of</b>
B	6 174		<b>1 of</b>	173	<b>1 of</b>
C				87	<b>1 of</b>
		<u>(15 435)</u>			<u>(520)</u>
		<u>NIL</u>			<u>NIL</u>

General expenses \$47 590 **1** + \$410 **1** = \$48 000 split \$36 000 : \$12 000 **1 of**

Depreciation \$25 000 – \$12 200 = \$12 800 **1** × 20% = \$2560 **1** split \$1920 : \$640

[17]

(d) The Act states that profits should be shared equally.

[2]

(e) Income now is \$175 + \$1000 + \$87 = \$1262 × 4 = \$5048 per annum **2 of**

Income previously is \$6000 + \$600 = \$6600 **2 of**

Coral had a better income previously **1 of**

[5]

[Total: 40]

**3 (a) (i)**

	Jan	Feb	March	April
Sales (units)	5 000	5 200	5 600	5 800
Closing inventory	<u>1 300</u>	<u>1 400</u>	<u>1 300</u>	<u>1 000</u>
	6 300	6 600	6 900	6 800
Less opening inventory	<u>1 250</u>	<u>1 300</u>	<u>1 400</u>	<u>1 300</u>
Purchases (units)	5 050 (1)	5 300 (1of)	5 500 (1of)	5 500 (1of)
Purchases (value)	\$20 200 (1)	\$21 200 (1of)	\$23 100 (1of)	\$23 100 (1of)

[8]

**(ii)**

	Jan \$	Feb \$	March \$	April \$
Trade receivables b/d	73 000 (1)	74 500	77 000	76 400
Credit sales	<u>50 000</u>	<u>52 000</u>	<u>50 400</u>	<u>55 100</u> (1) all
	123 000	126 500	127 400	131 500
Receipts				
50%	24 000	24 500	25 000	26 000
48%	<u>23 520</u>	<u>24 000</u>	<u>24 960</u>	<u>24 192</u>
	47 520 (1)	48 500 (1)	49 960 (1)	50 192 (1)
Discount allowed	<u>980</u> (1)	<u>1 000</u> (1)	<u>1 040</u> (1)	<u>1 008</u> (1)
Trade receivables c/f	74 500 (1of)	77 000 (1of)	76 400 (1of)	80 300 (1of)

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**(iii)**

	Jan \$	Feb \$	March \$	April \$
Trade payables b/d	20 000 (1)	20 200	21 200	23 100
Credit purchases	<u>20 200</u>	<u>21 200</u>	<u>23 100</u>	<u>23 100</u> (1of) all
	40 200	41 400	44 300	46 200
Cash paid	19 000	19 190	20 140	21 945
Discount received	<u>1 000</u> } (1)	<u>1 010</u> } (1)	<u>1 060</u> } (1)	<u>1 155</u> } (1)
	20 000	20 200	21 200	23 100
Trade payables c/f	20 200 (1)	21 200 (1of)	23 100 (1of)	23 100 (1of)

[10]

**(b)**

	\$
<u>Current assets</u>	
Inventory (1000 × 4.2)	4 200 (1of)
Trade receivables	<u>80 300</u> (1of)
	<u>84 500</u>
<u>Current liabilities</u>	
Trade payables	<u>23 100</u> (1of)

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(c)

	\$
Sales (5800 × \$9.5)	55 100
VC	24 900
FC	<u>16 700</u>
Profit	<u>13 500</u>

(i)

$$\frac{\$13\,500 \text{ (1)}}{\$55\,100} \times 100 = 24.5\% \text{ (1of)} \quad [2]$$

(ii)  $\$9.50 \times (100 - 24.5\%) = \$7.17 \text{ (1of)} \quad [1]$

(iii)

$$\frac{\$13\,500 \text{ (1of)}}{\$24\,900} \times 100 = 54.22\% \text{ (1of)} \quad [2]$$

[Total: 40]