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 2012 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.
1 (a) Statement of changes in equity for the year ended 31 March 2012

<table>
<thead>
<tr>
<th>Ordinary share capital</th>
<th>Revaluation reserve</th>
<th>General reserve</th>
<th>Retained Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

Balance at 1 April 2011
- 1200 1
- 200 1
- 947 1

Profit for the year
- 355 1

Transfer to General reserve
- 200 1
- (200) 1

Revaluation reserve
- 700 1

Issue of shares
- 300 1

Dividends paid
- (300) 1

Balance at 31 March 2012
- 1500 1
- 700 1
- 400 1
- 802 1 [13]

(b) Statement of Cash flow for the year ended 31 March 2012

$000 | $000
---|---
Profit from operations | 636 1
Depreciation | 126 1
Profit on disposal | (19) 1
Decrease in inventory | 29 1
Increase in trade receivables | (42) 1
Increase in trade payables | 11 1
Increase in other payables (excluding interest) | 12 1
Interest paid | (51) 1
Tax paid | (195) 1
Net cash from operating activities | 507 1 of

Cash flows from investing activities
Purchase of non-current assets | (547) 1
Proceeds of sale of non-current assets | 90 1
Cash used in investing activities | (457) 1 of

Cash flows from financing activities
Proceeds of share issue | 300 1
Proceeds of debenture issue | 100 1
Dividend paid | (300) 1
Cash from financing activities | 100 1 of

Net increase in cash and cash equivalents | 150 1 of
Cash and cash equivalents at beginning of year | (71) 1
Cash and cash equivalents at end of year | 79 1 [21]

(c) Proposed final dividend – shown as a note to the financial statements. 2
No liability shown in financial statements. 2
Still subject to approval by shareholders 2 [max 4]

(d) Dividend
Share issue etc.
Any one for 2 marks [2]

[Total: 40]
2 (a) A debit balance on a current account arises when a partner has withdrawn more money than he is entitled to and is therefore in debt to the partnership. [2]

(b) A partnership may be dissolved
– as the partners are constantly in disagreement and can no longer work together.
– as the partnership is no longer liquid and further trading would increase the debt.
– as the partnership is no longer profitable
– as a partner wishes to set up on his own, or a partner dies or retires.

1 mark per point [3 Max]

(c) Capital Accounts

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>K</th>
<th>A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current a/c</td>
<td>10 000</td>
<td>20 000</td>
<td>58 000</td>
</tr>
<tr>
<td>Inv'trie</td>
<td>19 120</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Motor veh. realisation acc</td>
<td>17 000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Bank acc</td>
<td>14 290</td>
<td>26 250</td>
<td>79 100</td>
</tr>
</tbody>
</table>

Realisation account

<table>
<thead>
<tr>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>90 000</td>
</tr>
<tr>
<td>Motor vehicle</td>
<td>19 000</td>
</tr>
<tr>
<td>Inventories</td>
<td>20 000</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>16 800</td>
</tr>
<tr>
<td>Trade payables</td>
<td>13 140</td>
</tr>
<tr>
<td>Cost of dissolution</td>
<td>5 620</td>
</tr>
</tbody>
</table>

Capital account

<table>
<thead>
<tr>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>8 940</td>
</tr>
<tr>
<td>K</td>
<td>5 960</td>
</tr>
<tr>
<td>A</td>
<td>2 980</td>
</tr>
</tbody>
</table>

164 560 | 164 560

note alternative layouts accepted for realisation account [9]

Bank Account

<table>
<thead>
<tr>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>15 960</td>
</tr>
<tr>
<td>Property</td>
<td>80 000</td>
</tr>
<tr>
<td>N capital ac</td>
<td>4 290</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>balance b/d</td>
<td>21 200</td>
</tr>
<tr>
<td>Trade payables</td>
<td>13 140</td>
</tr>
<tr>
<td>Cost of dissolution</td>
<td>5 620</td>
</tr>
<tr>
<td>K capital ac</td>
<td>20 290</td>
</tr>
<tr>
<td>A capital ac</td>
<td>40 000</td>
</tr>
</tbody>
</table>

100 250 | 100 250 [8]
(d) Total capital is $60\,200 \times 2 = 120\,400 \text{, split 3:2 is}$
$72\,240 \text{ shares for Avtandil} \quad 1\text{OF}$
$48\,160 \text{ shares for Damir} \quad 1\text{OF}$

Working:

\begin{align*}
\text{\$} \\
\text{Motor vehicle} & \quad 17\,000 \quad \text{for both} \\
\text{Inventories} & \quad 19\,120 \\
& \quad 36\,120 \\
\text{Cash} & \quad 24\,080 \quad 1 \\
& \quad 60\,200 \quad 1 \\
\end{align*}

[Total: 40]

3 (a) The purpose of standard costing is to help management in the planning and control of the business \( 1 \) and links with the budgetary control system \( 1 \). It provides a benchmark to measure actual performance \( 1 \) and identifies areas where savings could be made. \( 1 \) [4]

(b) \textbf{$\text{\$}$}

\begin{align*}
\text{Materials} & \quad 48.00 \quad 1 \\
\text{Labour} & \quad 22.50 \quad 1 \\
\text{Overheads} & \quad 10.50 \quad 1 \\
\text{Total Cost} & \quad 81.00 \quad 1 \\
\text{Margin} & \quad 19.00 \\
\text{Selling Price} & \quad 100.00 \quad 3\text{OF} \\
\end{align*}

[7]

(c) (i) Sales price variance: $102.50 – $100.00 \( 1\text{OF} \times 5\,100 = $12\,750 \text{ F} \quad 2\text{OF} + 1\text{OF} \) [4]

(ii) Sales volume variance = 100 \times $100 = $10\,000 \text{ F} \quad 2$

(iii) Material price variance = $0.25 \times 43\,460 = $10\,865 \text{ A} \quad 2$

(iv) Material usage variance = 1\,060 \times $6 = $6\,360 \text{ A} \quad 2$

(v) Labour rate variance = $0.25 \times 15\,500 = $3\,875 \text{ A} \quad 2$

(vi) Labour efficiency variance = 400 \times $7.50 = $3\,000 \text{ F} \quad 2$

(d) Sales volume – Increase in demand for product \( 1 \)
Sales Price – Ability to charge higher price because of increased demand \( 1 \)
Material price – Increase in cost of material because of change in supplier \( 1 \)
Material usage – more waste than expected. \( 1 \)
Labour rate = Pay increase or decrease / different grade of labour employed \( 1 \)
Labour efficiency = More skilled staff / different materials used which may effect efficiency \( 1 \) [6]
<table>
<thead>
<tr>
<th>(e)</th>
<th>Alphas</th>
<th>Betas</th>
<th>Deltas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution per unit</td>
<td>$15</td>
<td>$10</td>
<td>$12</td>
</tr>
<tr>
<td>Cont. per lab. hr</td>
<td>$3</td>
<td>$2.5</td>
<td>$4</td>
</tr>
<tr>
<td>Ranking</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

| 4000 units D | 1 | Contribution | 48 000 | Labour hours left 8 000 |
| 4000 units A | 1 | Contribution | 60 000 | Labour hours left 8 000 |
| 2000 units B | 1 | Contribution | 20 000 | Labour hours left NIL |

Less fixed costs | (75 000) |
Net profit | 53 000 |

[Total: 40]