CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Fundamentals of Accounting **February/March 2025**

MARK SCHEME

Maximum Mark: 90

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the February/March 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
✓	Correct and relevant point made in answering the question.
×	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A	An extraneous figure
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure
Highlight	Highlight
Off page Comment	Off page comment

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Abbreviations and guidance
The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. **}***

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally
valid.

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Question	Answer	Marks
1(a)	**Calculate the revised profit for the year ended 31 December 2024.**	**8**

	$	
Draft profit	9 400	
Less wages owing	(850)	**(1)**
Less irrecoverable debt (80% × $1 200)	(960)	**(1)**
Less allowance for irrecoverable debts (5% × ($19 980 – $960)	(951)	**(1)**
Add goods taken for own use	550	**(1)**
Less interest on loan (8% × 2/3 × $7 200)	(384)	**(1)**
Add inventory	3 000	**(1)**
Less depreciation of motor vehicle (1/3 × 20% × $20 400)	(1 360)	**(1)**
Revised profit for the year	8 445	**(1) OF**

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Question	Answer	Marks
1(b)	**Prepare the appropriation account for the year ended 31 December 2024.**	**3**

Sara and Viraj
Appropriation account for the year ended 31 December 2024

	$	$	
Profit for the year		8 445	
Add interest on drawings			
Sara (5% × $12 960)	648		**(1)**
Viraj (5% × $8 930 + 550)	474		
		1 122	
		9 567	
Less salary Sara		(12 000)	**(1)**
Residual loss		(2 433)	
Shares of residual loss			
Sara	(1 622)		**(1) OF**
Viraj	(811)		
		(2 433)	

Question	Answer	Marks
1(c)	**Prepare the current account of Viraj for the year ended 31 December 2024. Dates are <u>not</u> required.**	**4**

Viraj Current account

	$			$	
Drawings	19 480	**(1)**	Balance b/d	2 730	
Interest on drawings	474	**(1)OF**	Loan interest	384	**(1)OF**
Residual loss	811		Balance c/d	17 651	
	20 765			20 765	
Balance b/d	17 651	**(1)OF**			

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>Prepare an extract from the statement of financial position at 31 December 2024 showing the <u>capital and liabilities</u> section <u>only</u>.

Statement of financial position at 31 December 2024

<table>
<tr><td></td><td>$</td><td>$</td><td>$</td><td></td></tr>
<tr><td>Capital and liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Sara</td><td>Viraj</td><td></td><td></td></tr>
<tr><td>Capital accounts</td><td>100 400</td><td>112 000</td><td>212 400</td><td>(1)</td></tr>
<tr><td>Current accounts</td><td>(15 070)</td><td>(17 651)</td><td>(32 721)</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td></td><td></td><td>179 679</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Non-current liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Loan (Viraj)</td><td></td><td></td><td>7 200</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Current liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Trade payables</td><td></td><td>16 300</td><td></td><td>(1)</td></tr>
<tr><td>Other payables
($410 + 850)</td><td></td><td>1 260</td><td></td><td></td></tr>
<tr><td>Bank overdraft</td><td></td><td>4 970</td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>22 530</td><td></td></tr>
<tr><td>Total capital and liabilities</td><td></td><td></td><td>209 409</td><td>(1)OF</td></tr>
</table>
</td><td>4</td></tr>
<tr><td>1(e)(i)</td><td>Explain, with reference to an accounting concept, the correct treatment of:
(i) goods taken for own use by the owner of a business

Concept: business entity concept (1)

Explanation: only transactions affecting the business are recorded in the business's books of account (1).
The business and owner are two separate (legal) entities (1)

Max 1 mark for explanation
Accept other valid responses.</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(e)(ii)	**Explain, with reference to an accounting concept, the correct treatment of:** **(ii) irrecoverable debts** **Concept:** prudence concept **(1)** **Explanation:** profits and assets OR trade receivables should not be overstated **(1)** losses should be accounted for as soon as they are recognised **(1)** **Max 1** mark for explanation **Accept other valid responses.**	**2**
1(f)	**Advise the partners which option they should choose. Justify your answer by discussing <u>both</u> options.** **Option A (max 3)** **For** The early settlement will improve the cash flow position/liquidity **(1)** May reduce possibility of irrecoverable debts **(1)** Might attract new customers so increasing revenue/sales **(1)** Trade receivables turnover will improve **(1)** **Against** Will reduce the amount of cash received **(1)** Expenses will increase due to higher discount allowed **(1)** Will reduce the amount of profit **(1)** Customers may not be encouraged to pay within 25 days **(1)** Customers may switch to other suppliers offering better terms so reduces revenue **(1)** **Option B (max 3)** **For** Improve the cash flow position/liquidity **(1)** **Against** It may damage the reputation of the business **(1)** It may result in the loss of cash discounts **(1)** It may cause a loss of suppliers/refuse credit terms (due to the extended settlement terms) **(1)** Suppliers may charge interest on late payment **(1)** **Decision supported with a comment (1)** **Accept other valid responses**	**7**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Prepare the sales ledger control account for November 2024. Dates are <u>not</u> required.

Sales ledger control account

<table>
<tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Balance b/d</td><td>18 320</td><td></td><td>Purchases ledger control/Contra</td><td>139</td><td rowspan="3">(1) all</td></tr>
<tr><td>Sales</td><td>41 735</td><td>(1)</td><td>Sales returns</td><td>883</td></tr>
<tr><td>Interest (received)</td><td>84</td><td>(1)</td><td>Irrecoverable debts</td><td>478</td></tr>
<tr><td></td><td></td><td></td><td>Bank</td><td>39 202</td><td rowspan="3">(1) both</td></tr>
<tr><td></td><td></td><td></td><td>Discounts allowed</td><td>3 071</td></tr>
<tr><td></td><td></td><td></td><td>Balance c/d</td><td>16 366</td></tr>
<tr><td></td><td>60 139</td><td></td><td></td><td>60 139</td><td></td></tr>
<tr><td>Balance b/d</td><td>16 366</td><td>(1) OF</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table></td><td>5</td></tr>
<tr><td>2(b)(i)</td><td>Calculate the corrected figure for:

the total of balances in the sales ledger

Corrected total of balances in sales ledger

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Original total</td><td>22 350</td><td></td></tr>
<tr><td>Less overstated balance</td><td>(189)</td><td>(1)</td></tr>
<tr><td>Add dishonoured cheque</td><td>640</td><td>(1)</td></tr>
<tr><td>Corrected total</td><td>22 801</td><td>(1)OF</td></tr>
<tr><td></td><td></td><td></td></tr>
</table></td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>Calculate the corrected figure for:

The sales ledger control account balance

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>original sales ledger control account balance</td><td>23 964</td><td></td></tr>
<tr><td>Less sales returns</td><td>(330)</td><td>(1)</td></tr>
<tr><td>Less discounts allowed</td><td>(283)</td><td>(1)</td></tr>
<tr><td>Add dishonoured cheque</td><td>640</td><td>(1)</td></tr>
<tr><td>Less irrecoverable debt</td><td>(1 190)</td><td>(1)</td></tr>
<tr><td>Corrected balance</td><td>22 801</td><td>(1)</td></tr>
</table></td><td>5</td></tr>
<tr><td>2(c)</td><td>State <u>two</u> benefits of preparing control accounts.

Check the arithmetical accuracy of the double entry OR ledger accounts (1)
Helps to locate errors or indicates errors (1)
Helps to prevent/reduce fraud (1)
Provides easily accessible information for management (1)
Provides information for entry in financial statements OR finds totals for trade receivables OR finds totals for trade payables (1)
Improves internal control (1)
Max 2

Accept other valid responses</td><td>2</td></tr>
</table>

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Question	Answer	Marks
3(a)	**Prepare the following ledger accounts for the year ended 31 December 2024.**	**9**

Ordinary share capital account

2024		$	2024		$	
Dec 31	Balance c/d	1 250 000	Jan 1	Balance b/d	750 000	
			Oct 1	Bank **W1**	500 000	**(1)**
		1 250 000			1 250 000	
			2025			
			Jan 1	Balance b/d	1 250 000	**(1)OF**

Share premium account

2024		$	2024		$	
Dec 31	Balance c/d	345 000	Jan 1	Balance b/d	145 000	
			Oct 1	Bank **W1**	200 000	**(1)**
		345 000			345 000	
			2025			
			Jan 1	Balance b/d	345 000	**(1) OF**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>
Retained earnings account
<table>
<tr><td>2024</td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>April 1</td><td>Property</td><td>20 000</td><td>(1)</td><td>Jan 1</td><td>Balance b/d</td><td>154 000</td><td></td></tr>
<tr><td>June 30</td><td>Bank W2</td><td>75 000</td><td>(1)</td><td>Dec 31</td><td>Statement of profit or loss</td><td>148 000</td><td>(1)</td></tr>
<tr><td>Dec 31</td><td>Balance c/d</td><td>207 000</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>302 000</td><td></td><td></td><td></td><td>302 000</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>2025</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>Jan 1</td><td>Bal b/d</td><td>207 000</td><td>(1) OF</td></tr>
</table>
Revaluation reserve account
<table>
<tr><td>2024</td><td></td><td>$</td><td></td><td>2024</td><td></td><td>$</td></tr>
<tr><td>April 1</td><td>Property</td><td>90 000</td><td>(1)</td><td>Jan 1</td><td>Balance b/d</td><td>90 000</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>
W1 Rights issue

Share capital: 1 500 000 × 2/3 × $0.50 = $500 000 (1)
Share premium: 1 500 000 × 2/3 × $0.20 = $200 000 (1)

W2 Interim dividend = $75 000

Interim dividend: 750 000 × 2 shares × $0.05 = $75 000 (1)
</td><td></td></tr>
<tr><td>3(b)</td><td>State <u>two</u> features of capital reserves.

Cannot be used to finance dividend payments (1)
Arise from non-trading activities of a company (1)
Can be used for bonus issue of shares (1)

Max 2
Accept other valid responses</td><td>2</td></tr>
</table>

Question	Answer	Marks
3(c)	**State <u>two</u> differences between a rights issue of shares and an issue of debentures.** Debenture interest will have to be paid annually affecting/reducing cashflows and profits **(1)** whereas dividends on shares are discretionary **(1).** Rights issue of shares is a permanent source of finance **(1)** whereas debentures have to be repaid at a future date OR long term loan **(1).** Shareholders have voting rights **(1)** debenture holders do not have voting rights **(1).** Debentures may require collateral **(1)** no collateral needed for rights issue **(1).** **Max 4** **Accept other valid responses**	**4**

Question	Answer	Marks
4(a)	**Complete the following table to show the apportionment of overheads and the reapportionment of service department overheads.**	**5**

		Production departments		Service departments		
	Total	Cutting	Finishing	Stores	Canteen	
	$	$	$	$	$	
Overheads allocated	424 560	183 270	145 990	45 380	49 920	
Supervisors' salaries	54 500	28 200	26 300	–	–	
Depreciation of machinery	87 000	44 000	30 400	7 400	5 200	**(1)**
Rent	48 000	24 000	14 240	4 480	5 280	**(1)**
Subtotal	614 060	279 470	216 930	57 260	60 400	
Reapportionment Canteen department	–	33 146	22 834	4 420	(60 400)	**(1)**
Subtotal	–	312 616	239 764	61 680	–	
Reapportionment Stores department	–	40 796	20 884	(61 680)	–	**(1) OF**
		353 412	260 648	–	–	**(1) OF**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Calculate, to <u>two</u> decimal places, an overhead absorption rate for <u>each</u> production department using a suitable basis.

Cutting department = 353 412/8 220 = $42.99 (1) OF per machine hour (1)

Finishing department = 260 648/7 144 = $36.48 (1) OF per labour hour (1)</td><td>4</td></tr>
<tr><td>4(c)</td><td>Complete the following table to show the value of closing inventory of component × using AVCO.

<table>
<tr><td></td><td>Inventory valuation
$</td><td></td></tr>
<tr><td>1 Jan</td><td>48</td><td></td></tr>
<tr><td>6 Jan</td><td>144</td><td>(1)</td></tr>
<tr><td>9 Jan</td><td>88</td><td>(1)</td></tr>
<tr><td>16 Jan</td><td>160</td><td>(1)</td></tr>
<tr><td>21 Jan</td><td>50.52</td><td>(1)</td></tr>
<tr><td>27 Jan</td><td>150.52</td><td>(1)</td></tr>
</table>
</td><td>5</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)(i)</td><td>

Calculate the profit to be made in August 2025 for <u>each</u> option.

Option A

<table>
<tr><td></td><td>Units × contribution</td><td>Contribution $</td><td></td><td>Materials used</td><td>Materials available</td></tr>
<tr><td>Product Bee</td><td>60 × $19</td><td>1 140</td><td>(1)</td><td>420</td><td>189</td></tr>
<tr><td>Product Cee</td><td>21 × $21</td><td>441</td><td>(1)</td><td>189</td><td>–</td></tr>
<tr><td>Total contribution</td><td></td><td>1 581</td><td></td><td></td><td></td></tr>
<tr><td>Less fixed costs</td><td></td><td>1 100</td><td></td><td></td><td></td></tr>
<tr><td>Profit for month</td><td></td><td>481</td><td>(1) OF</td><td></td><td></td></tr>
</table>

Workings

<table>
<tr><td></td><td>Bee</td><td>Cee</td><td></td></tr>
<tr><td></td><td>$</td><td>$</td><td></td></tr>
<tr><td>Contribution per unit</td><td>19</td><td>21</td><td></td></tr>
<tr><td>Kg required per unit</td><td>7</td><td>9</td><td></td></tr>
<tr><td>Contribution per kg materials</td><td>2.71</td><td>2.33</td><td>(1)</td></tr>
</table>

Forecast materials for August: Bee (60 × 7 = 420) + Cee (50 × 9 = 450) = 870 **(1)**
Materials available: 870 × 70% = 609 **(1)**

</td><td>6</td></tr>
<tr><td>4(d)(ii)</td><td>

Calculate the profit to be made in August 2025 for <u>each</u> option.

Option B

Remaining units of Cee (50-21) = 29 units **(1)**
New contribution Cee: $21 – $9 = $12 **(1)**

Profit: as for option A $481 + (29 × $12) = $829 **(1)**

</td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(e)</td><td>Advise the directors which option they should choose. Justify your answer.

<table>
<tr><td>Option A Advantages</td><td>Disadvantages</td></tr>
<tr><td>• Option A produces higher profit (1)
OF
• No concerns over reliability/meeting deadlines (1)
• Same quality of products (1)
• No need to purchase from overseas (1)
• Material price doesn’t increase (1)</td><td>• May lose consumers to competitors (1) leading to less sales or revenue (1)
• Impact on workforce of reduced production (1)
• Reduced production means less sales/profit (1)</td></tr>
<tr><td>Option B Advantages</td><td>Disadvantages</td></tr>
<tr><td>• Option B produces higher profit (1)
• No loss of sales/meet demand (1)
• Run at maximum capacity or maintains production (1)</td><td>• Will exchange rates affect price for Option B?(1)
• Will new supplier prove to be reliable/trustworthy/meet delivery times? (1)
• Will new supplier provide materials of usual quality/risk of damage during shipping (1)
• Higher delivery costs (1)
• Higher cost of materials/more expensive (1)
• Possible import taxes (1)</td></tr>
</table>
Comments Max 6

Decision supported by a comment (1)

Accept other valid responses</td><td>7</td></tr>
</table>