Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Structured Questions **May/June 2021**

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 May/June 2021 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 descriptors 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.

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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).

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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.

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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Question	Answer	Marks
1(a)	N Limited Income statement for the year ended 31 December 2020	**10**

	$000	
Revenue	923	
Cost of sales	(466)	
Gross profit	457	**(1)**
Administrative expenses **W1**	(370)	**(4)OF**
Distribution costs **W2**	(113)	**(2)OF**
Loss from operations	(26)	**(1)OF**
Finance costs	(17)	**(1)**
Loss for the year	(43)	**(1)OF**

Workings

W1 171 + 200 **(1)** – 4 **(1)** + 3 **(1)** = $370 **(1)OF**
W2 63 + 50 **(1)** = $113 **(1)OF**

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Question	Answer	Marks
1(b)	**Sample responses** **1 mark** Rights issue is a permanent source of capital **(1)** **2 marks** Rights issue is a permanent source of capital **(1)** whereas debentures are a liability that must be repaid at a future date **(1)** **3 marks** Rights issue is a permanent source of capital **(1)** on which dividends are paid **(1)** whereas debentures are a liability that must be repaid at a future date **(1)** **4 marks** Rights issue is a permanent source of capital **(1)** on which dividends are paid **(1)** whereas debentures are a liability that must be repaid at a future date **(1)** with interest which will reduce profits **(1)** **Accept other valid responses.**	**4**
1(c)	$240 000 **(4)** Working Rights issue 2 000 000 shares **(1)** × 2/5 **(1)** = 800 000 shares **(1OF)** × $0.30 = $240 000 **(1)OF**	**4**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>N Limited
Statement of changes in equity
for the year ended 31 December 2020

<table>
<tr><td></td><td>Ordinary share capital</td><td>Share premium</td><td>Retained earnings</td><td>Total</td></tr>
<tr><td></td><td>$000</td><td>$000</td><td>$000</td><td>$000</td></tr>
<tr><td>Balance at 1 January 2020</td><td>300
(1) for both</td><td>30</td><td>129</td><td>459</td></tr>
<tr><td>Rights issue of shares</td><td>200</td><td>40</td><td></td><td>240</td></tr>
<tr><td></td><td colspan="2">(1)OF for both</td><td></td><td></td></tr>
<tr><td>Loss for year</td><td></td><td></td><td>(43)
(1)OF</td><td>(43)</td></tr>
<tr><td>Dividend paid</td><td></td><td></td><td>(80)
(1)</td><td>(80)</td></tr>
<tr><td>Balance at 31 December 2020</td><td>500</td><td>70</td><td>6</td><td>576
(1) OF for row & column</td></tr>
</table></td><td>5</td></tr>
<tr><td>1(e)</td><td>Current ratio (1)
Liquid (acid test) ratio (1)</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(f)	**For proposal (Max 2)** • May improve cash flows/liquidity/as customer may pay more quickly **(1)** • May encourage larger orders **(1)** • May make irrecoverable debts less likely **(1)** **Against proposal (Max 2)** • Will reduce profits by the amount of discounts allowed **(1)**, (and company is already making a loss) **(1)** • Will also reduce cash receipts **(1)** • Possible loss of customers who do not qualify for cash discount **(1)** **Advice (1)** **Accept other valid responses.**	**5**

Question	Answer	Marks
2(a)	To avoid overstating profit/current assets/trade receivables (**1)** – prudence concept **(1)** To match costs with revenue **(1)** – accruals/matching concept **(1)** **Max 2** **Accept other valid responses.**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Journal
<table>
<tr><td></td><td>Dr
$</td><td>Cr
$</td><td></td></tr>
<tr><td>Irrecoverable debts</td><td>850</td><td></td><td>(1)</td></tr>
<tr><td>(Trade receivable): P Limited</td><td></td><td>340</td><td rowspan="2">(1)</td></tr>
<tr><td>(Trade receivable): Q Limited</td><td></td><td>510</td></tr>
</table></td><td>2</td></tr>
<tr><td>2(c)</td><td>• Reduce credit sales (1)
• Better credit control (1)
• Regular telephone contact with customers (1)
• Credit checks on customers (1)
• Issue regular statements of account/invoices (1)
• Setting credit limits for customers (1)
• Stop supply to late paying customers (1)

Max 2

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>($91) decrease (4)

Working

<table>
<tr><td></td><td>$</td><td>$</td><td></td></tr>
<tr><td>Existing provision</td><td></td><td>980</td><td></td></tr>
<tr><td>Outstanding less than 1 month: 1% × $34 200</td><td>342</td><td></td><td>(1)</td></tr>
<tr><td>Outstanding 1–3 months: 5% × $6 680</td><td>334</td><td></td><td>(1)</td></tr>
<tr><td>Outstanding 4–6 months 10% × $2 130</td><td>213</td><td></td><td>(1)</td></tr>
<tr><td></td><td></td><td>889</td><td></td></tr>
<tr><td>Decrease in provision</td><td></td><td>91</td><td>(1)OF</td></tr>
</table></td><td>4</td></tr>
<tr><td>2(e)</td><td>Provision for doubtful debts account

<table>
<tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Income statement</td><td>91</td><td>(1)OF</td><td>Balance b/d</td><td>980</td><td>(1)</td></tr>
<tr><td>Balance c/d</td><td>889</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>980</td><td></td><td></td><td>980</td><td></td></tr>
<tr><td></td><td></td><td></td><td>Balance b/d</td><td>889</td><td>(1)OF</td></tr>
</table></td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(f)</td><td>

- Amount of trade receivables **(1)**
- Past experience of irrecoverable debts **(1)**
- State of the economy **(1)**
- Specific knowledge of credit customers **(1)**
- Age of the debts **(1)**

Max 2
Accept other valid responses.
</td><td>2</td></tr>
<tr><td>3(a)</td><td>

$14 360 **(5)**

Workings

	$	
Draft profit for the year	11 270	
Less: overvalued inventory	(510)	**(1)**
Add: decrease in provision for depreciation **(W)**	3 600	**(3)OF**
Revised profit for the year	14 360	**(1)**

W
Incorrect charge for the year 20% × $65 000 = $13 000
Provision at beginning of year ($31 000 – $13 000) = $18 000
Net book value at beginning of year ($65 000 – $18 000) = $47 000
Correct depreciation charge for the year ($47 000 × 20%) i.e. $9 400
Decrease in depreciation charge: $13 000 **(1)** – $9 400 **(1)** = $3 600 **(1)OF**
</td><td>5</td></tr>
</table>

Question	Answer	Marks
3(b)	Corrected statement of financial position at 31 December 2020	**7**

	$		$	
Non-current assets				
Cost	65 000			
Provision for depreciation	27 400			
			37 600	**(1)OF**
Current assets				
Inventory	16 880	**(1)**		
Trade receivables	14 320	**(1)**		
Other receivables	710	**(1)**		
			31 910	
Total assets			69 510	
Capital				
Opening balance	56 950			
Profit for year	14 360			
Drawings	(19 030)	(**1**)		
			52 280	

Question	Answer	Marks
3(b)		

Current liabilities				
Bank loan (2021)	4 900			
Other payables	480	**(1)**		
Trade payables	11 360			
Bank overdraft	490			
			17 230	**(1)**
Total capital and liabilities			69 510	

3(c)	Errors of: • commission **(1)** • principle **(1)** • omission **(1)** • complete reversal **(1)** • compensating **(1)** • original entry **(1)** **Max 3**	**3**

Question	Answer	Marks

4(a)

	Production departments		Service departments		
	Assembly	Finishing	Administration	Canteen	
	$	$	$	$	
Overheads	83 500	70 100	28 300	15 400	
Reapportion service department	7 700	6 160	1 540	(15 400)	**(1) for row**
Subtotal	91 200	76 260	29 840	-	**(1)OF for row**
Reapportion service department	22 380	7 460	(29 840)	-	**(1)OF for row**
Total overheads	113 580	83 720	-	-	**(1)OF for row**

4

4(b)

Assembly	$113 580/2 800	$40.56 **(1)OF**	per machine hour **(1)**
Finishing	$83 720/1 400	$59.80 **(1)OF**	per labour hour **(1)**

4

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>
<table>
<tr><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Direct materials</td><td></td><td>1 880</td><td></td></tr>
<tr><td>Direct labour</td><td></td><td></td><td></td></tr>
<tr><td>Assembly department</td><td>11.5 × $8.40</td><td>96.60</td><td>(1)</td></tr>
<tr><td>Finishing department</td><td>6.1 × $8.20</td><td>50.02</td><td>(1)</td></tr>
<tr><td>Overheads</td><td></td><td></td><td></td></tr>
<tr><td>Assembly department</td><td>5.7 × $40.56 (OF)</td><td>231.19</td><td>(1)OF</td></tr>
<tr><td>Finishing department</td><td>6.1 × $59.80 (OF)</td><td>364.78</td><td>(1)OF</td></tr>
<tr><td></td><td></td><td>2 622.59</td><td>(1)OF</td></tr>
<tr><td>Profit</td><td>40% × Selling price</td><td>1 748.39</td><td>(1)OF</td></tr>
<tr><td></td><td></td><td>4 370.98</td><td>(1)OF</td></tr>
</table>
</td><td>7</td></tr>
<tr><td>4(d)</td><td>Overheads are more than budgeted (1)
Actual production is less than budgeted (1)</td><td>2</td></tr>
<tr><td>4(e)(i)</td><td>Allocation: where overheads can be directly attributed to a cost centre (1)</td><td>1</td></tr>
<tr><td>4(e)(ii)</td><td>Apportionment: where it is necessary to divide costs between cost centres on some appropriate basis (1)</td><td>1</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(f)</td><td>$41 400 (4)

Workings

<table>
<tr><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Revenue</td><td>7 600 × $30</td><td>228 000</td><td></td></tr>
<tr><td>Direct material</td><td>7 600 × $5.50</td><td>(41 800)</td><td></td></tr>
<tr><td>Direct labour</td><td>7 600 × $8.00</td><td>(60 800)</td><td>(1)</td></tr>
<tr><td>Variable costs</td><td>7 600 × $2.50</td><td>(19 000)</td><td>(1)</td></tr>
<tr><td>Contribution</td><td></td><td>106 400</td><td></td></tr>
<tr><td>Fixed costs</td><td></td><td>(65 000)</td><td>(1)</td></tr>
<tr><td>Profit for the month</td><td></td><td>41 400</td><td>(1)</td></tr>
</table></td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(f)</td><td>Alternative answer

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Revenue</td><td>30.00</td><td></td></tr>
<tr><td>Direct material</td><td>(5.50)</td><td></td></tr>
<tr><td>Direct labour</td><td>(8.00)</td><td>(1)</td></tr>
<tr><td>Variable costs</td><td>(2.50)</td><td>(1)</td></tr>
<tr><td>Contribution</td><td>14.00</td><td></td></tr>
<tr><td>Total contribution</td><td>106 400</td><td></td></tr>
<tr><td>Fixed costs</td><td>(65 000)</td><td>(1)</td></tr>
<tr><td>Profit for the month</td><td>41 400</td><td>(1)</td></tr>
</table></td><td></td></tr>
<tr><td>4(g)</td><td>For changing supplier (Max 3)
• Profits/contribution will be greater (1)
• Will not have to rely on overtime working which will reduce costs (1)
• Better working relationship with the sole supplier (1)

Against changing supplier (Max 3)
• Will quality of materials be less? (1)
• Will there be supply problems when delivering from overseas (1)
• Will new supplier be reliable? (1)
• Will reduced output lead to the loss of regular orders(1)
• Will reduced output lead to possible redundancies.(1)

Advice (1)
Accept other valid responses.</td><td>7</td></tr>
</table>

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