Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/34**

Paper 3 A Level Structured Questions 34 **May/June 2021**

MARK SCHEME

Maximum Mark: 150

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.

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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.

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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Question	Answer	Marks
1(a)	subscriptions account |	| | | | | | | | | $ | | | | $ | | | Balance b/d | 2 100 | | Balance b/d | 300 | | | Income and expenditure a/c | 20 000 | **(1)** | Bank | 19 700 | | | Balance c/d | 500 | **(1)** | Bad/irrecoverable debts | 1 500 | **W1** | | | | | Balance c/d | 1 100 | **(1)** | | | 22 600 | | | 22 600 | | | Balance b/d | 1 100 | **(1of)** | Balance b/d | 500 | **(1of)** | **W1** (6 × 100) **(1)** + (3 × 300) **(1)** = $1500	**7**
1(b)	ZV Sports Club Income and expenditure account for the year ended 31 December 2020 | | | | | | | | | $ | | $ | | | Subscriptions | | | 20 000 | **(1of)** | | Profit on disposal of equipment | | | 510 | **(1)** | | Profit on sale of refreshments | | | 6 200 | **(1)** | | | | | 26 710 | | | Bad/irrecoverable debts | 1 500 | **(1of)** | | | | Depreciation | 4 050 | **(1)** | | | | Staff costs | 18 310 | **}** | | | | Other running costs | 3 100 | **}(1)** | 26 960 | | | Deficit for the year | | | 250 | **(1of)** |	**7**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>It applies the accounting concept of prudence (1) and avoids assets/debtors being overstated (1).
However, the policy has caused an additional cost in the current year which has actually arisen in earlier years (1) which has caused a surplus to turn into a deficit (1).
Some members may pay later (1) if reminded (1)
Members with unpaid subscriptions should not be allowed to make use of the facilities (1) perhaps by annual membership cards being available only for members who have paid their current subscription (1).
Accept other valid points
(1) mark for decision plus (max 4) for comments</td><td>5</td></tr>
<tr><td>1(d)</td><td>ZV Sports Club
Refreshments trading account for the year ended 31 December 2020
<table><tr><td></td><td>$</td><td>$</td><td></td></tr><tr><td>Sales</td><td></td><td>21 870</td><td>(1of)</td></tr><tr><td>Opening inventory</td><td>600</td><td></td><td>*</td></tr><tr><td>Purchases</td><td>15 820</td><td>W1</td><td></td></tr><tr><td></td><td>16 420</td><td></td><td></td></tr><tr><td>Closing inventory</td><td>750</td><td></td><td>*(1 both)</td></tr><tr><td>Cost of sales</td><td></td><td>15 670</td><td></td></tr><tr><td>Profit</td><td></td><td>6 200</td><td></td></tr></table>
W1 16 000 (1) + (920 – 1 100) (1) = $15 820</td><td>4</td></tr>
<tr><td>1(e)</td><td>In order to raise funds/make a profit (1) to finance new assets/activities of the club/provide a service to members (1)
To keep subscription low (1)
To attract new members (1)
Max 2
Accept other valid points</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(a)	NT plc Statement of financial position (extract) at 31 December 2020 Equity — $ Ordinary share capital 450 000 **(1)** Share premium 145 000 **(1)** General reserve 50 000 **(1)** Retained earnings 505 000 **(1)** Revaluation reserve 270 000 **(1)** 1 420 000 Non-current liabilities 8% debenture (2031) 200 000 **(1)** Current liabilities Trade and other payables 125 000 **W1** Total equity and liabilities **(1)** 1 745 000 **(1of)** **W1** 117 000 **(1)** + 8 000 **(1)** = 125 000	**10**
2(b)(i)	$ increase in retained earnings 505 000 – 421 000 84 000 **(1)** final dividend paid 40 000 **} (1)** interim dividend paid 20 000 **}** transfer to general reserve 30 000 **(1)** profit for the year 174 000 **(1of)**	**4**

Question	Answer	Marks
2(b)(ii)	$ profit for the year 174 000 bank interest 7 000 **(1)** debenture interest 8 000 **(1)** profit from operations 189 000 **(1of)**	**3**
2(c)	Return on capital employed/ROCE **(1)** to show the return on the investment in the business **(1)**. Income gearing **(1)** to show the ability of a business to pay the interest out of profit **(1)**.	**4**
2(d)(i)	A proposed dividend is not recorded in the books of account **(1)**. It is recorded in the cash book when it is actually paid **(1)**.	**2**
2(d)(ii)	A proposed dividend is not recorded in the financial statements for 2020 / is recorded in 2021 **(1)** but in a note to the 2020 accounts **(1)**.	**2**

Question	Answer	Marks
3(a)(i)	An event for which the condition existed at the year end **(1)** and which, if material, requires adjustment(s) to be made to the financial statements **(1)**.	**2**
3(a)(ii)	An event for which the condition arose after the year end **(1)** but which, if material, is disclosed by a note to the accounts **(1)**.	**2**
3(b)(i)	$84 000 **(1)**	**1**
3(b)(ii)	$90 000 **(1)**	**1**
3(c)(i)	$94 500 **(1)**	**1**
3(c)(ii)	$90 000 **(1)**	**1**
3(c)(iii)	$94 500 **(1)** – $90 000 **(1)** = $4 500	**2**
3(d)	In accordance with IAS36 **(1)** it should be recorded as an expense **(1)** in the income statement **(1)** and a reduction in the value of the asset **(1)** in the statement of financial position **(1)**. **Max 4**	**4**
3(e)	In accordance with IAS10 **(1)** this is a non-adjusting event **(1)** as the fire happened after the year end **(1)**. It should be disclosed as a note to the accounts **(1)**. **Max 3**	**3**
3(f)	It is a check on the financial statements **(1)** by a qualified, independent person **(1).** It checks that they have been prepared in accordance with legislation and accounting standards **(1),** that they contain no material errors and/or omissions **(1)** so that the auditor can report **(1)** on whether they give a true and fair view of the company's performance **(1)**. **Accept other valid points.** **Max 3**	**3**

Question	Answer	Marks
3(g)	They will know that the auditor has reported that the financial statements show a true and fair view. **(1)** They will have more confidence in using the financial statements as a basis for further investment decisions. **(1)** They will be able to make comparisons with more confidence. **(1)** They will be assured that the directors have done their jobs properly. **(1)** **Accept other valid points.** **Max 3**	**3**
3(h)	The directors are appointed by/responsible to the shareholders **(1)** for managing the company **(1)**	**2**

Question	Answer	Marks
4(a)	$\$$ 900×1.8 1 620 **(1)** 100×0.5 50 **(1)** 1 670 **(1of)**	**3**
4(b)(i)	Joint venture account $\$$ $\$$ JV bank (purchases) 1 000 **(1)** Cash 1 670 **(1of)** JV bank (rent) 420 **}** JV bank (fittings) 50 **(1)** Amit (fittings) 180 **}(1)** Profit – Amit 80 **}** – Barry 40 **}(1of)** 1 720 1 720	**5**
4(b)(ii)	Amit account $\$$ $\$$ JV bank 1 060 **(1of)** JV bank 800 **(1)** JV account (fittings) 180 **(1)** JV account (profit) 80 **(1of)** 1 060 1 060	**4**
4(b)(iii)	Barry account $\$$ $\$$ Cash 270 **(1of)** JV bank 400 **(1)** JV bank 170 **(1of)** JV account (profit) 40 **(1of)** 440 440	**4**

Question	Answer	Marks
4(b)(iv)	Joint venture bank account Amit 800 **}(1)** — JV account (purchases) 1 000 **}(1)** Barry 400 **}** — JV account (rent) 420 **}** JV account (fittings) 50 **}** — Amit 1 060 **}** Cash 1 400 **}(1)** — Barry 170 **}(1of)** 2 650 — 2 650	**4**
4(c)	Negotiate lower rent for the stall. **(1)** Rent the fittings instead of buying them/negotiate a better deal on buying the fittings **(1)** Seek cheaper supplier for pastries **(1)** Make sure they only buy what they can sell **(1)** Consider reducing the selling price so that all pastries can be sold and total takings would increase **(1)** **Accept other valid points** **Max 2**	**2**
4(d)	The already small profit would be split further if there was another party. **(1)** The profit would not necessarily be higher just because there was another party as they already can't sell all their goods. **(1)** If Clara made a cash contribution it would lower the amount Amit had to pay. **(1)** Risk would be shared. **(1)** Consider whether Clara has any special knowledge. **(1)** There may be disputes when three coventurers are involved. **(1)** **Accept other valid points** **(1) mark for decision plus (max 2) for comments**	**3**

Question	Answer	Marks
5(a)	$000 Total purchases 200 **(1)** Purchases returns 20 **(1)** Net purchases 180	**2**

Question	Answer	Marks
5(b)	Trade payables budget for January 2021 |	\$000	| | Opening balance	105	| | Purchases, net of returns	180	**(1)** |	285	| | Payment in month of purchase	57	**W1** | Discount received	3	**(1)** | Payment for December 2018	105	**(1)** | Closing balance (180 x 2/3)	120	**(1)** **W1** $\left(180 \times \frac{1}{3}\right)$ **(1)** – 3 **(1)** = 57	**6**
5(c)	Statement reconciling opening and closing trade payables for January 2021 |	\$	| | Opening trade payables	96 000	| | Purchases	218 000	**W1** | Purchases returns	(20 000)	**(1of)** | Discount received	(3 300)	**W2** | Bank	(153 700)	**W3** | Sales ledger control account	(5 000)	**(1)** | Closing trade payables	132 000	**W4** **W1** (180 000 + 18 000) **(1)** + 20 000 **(1of)** = 218 000 **W2** $\left(\left[180\,000 + 18\,000\right] \times \frac{1}{3}\right)$ **(1of)** × 5% **(1)** = 3 300 **W3** (66 000 – 3 300) **(1of)** + (96 000 – 5 000) **(1)** = 153 700 **W4** (180 000 + 18 000) **(1of)** $\times \frac{2}{3}$ **(1)** = 132 000	**10**
5(d)	budgets may be time consuming/expensive to prepare **(1)** the data used in budgets are only estimates and may be inaccurate **(1)** a desire to achieve the budget's targets may lead to a sub optimal use of resources **(1)** budgets may demotivate staff **(1)** budgets enable co-ordination **(1)** budgets enable planning/control to take place **(1)** budgets define areas of responsibility/set targets **(1)** budgets should lead to a better use of resources **(1)** budgets can motivate staff **(1)** **Accept other valid points** **(1) mark for decision plus (max 2) for disadvantages plus (max 2) for advantages**	**5**
5(e)	a budget based on actual levels of activity **(1)** which enables meaningful comparisons to be made **(1)**	**2**

Question	Answer	Marks
6(a)	based on market research **(1)** based on demand for existing/competitors' products **(1)** based on budgets **(1)** **Accept other valid points** **Any two for (1) mark each**	**2**
6(b)(i)	Year / net cash flow $ / discount factor / discounted cash flow $ 0 (460 000) 1 (460 000) **(1)** 1 150 000 0.909 136 350 **(1)** 2 150 000 0.826 123 900 **(1of)** 3 150 000 0.751 112 650 **(1of)** 3 160 000 0.751 120 160 **(1)** Net present value 33 060 **(1of)**	**6**
6(b)(i)	**OR** Year / net cash flow $ / discount factor / discounted cash flow $ 0 (460 000) 1 (460 000) **(1)** 1–3 150 000 **(1)** 2.486 **(1)** 372 900 **(1of)** 3 160 000 0.751 120 160 **(1)** Net present value 33 060 **(1of)**	
6(b)(ii)	$ Initial cost (460 000) Net cash flow Year 1 150 000 Net cash flow Year 2 150 000 Net cash flow Year 3 150 000 (10 000) **(1)** Cash inflow End of year 3 160 000 **(1)** Payback period 3 years **(1)**	**3**
6(c)(i)	Year / net cash flow $ / discount factor / discounted cash flow $ 0 (100 000) 1 (100 000) **(1)** 1 40 000 0.909 36 360 **(1)** 2 40 000 0.826 33 040 **(1of)** 3 40 000 0.751 30 040 **(1of)** 3 10 000 0.751 7 510 **(1)** Net present value 6 950 **(1of)**	**6**

Question	Answer	Marks
6(c)(i)	**OR** Year / net cash flow $ / discount factor / discounted cash flow $ 0 (100 000) 1 (100 000) **(1)** 1–3 40 000 **(1)** 2.486 **(1)** 99 440 **(1of)** 3 10 000 0.751 7 510 **(1)** Net present value 6 950 **(1of)**	
6(c)(ii)	$ Initial cost (100 000) Net cash flow Year 1 40 000 Net cash flow Year 2 40 000 (20 000) **(1)** Net cash flow Year 3 40 000 **(1)** Payback period 2.5 years **(1)** (2 years + 20/40 years)	**3**
6(d)	NPV is higher/better for option 1 **(1)** Payback period is shorter/better for option 2 **(1)** NPV is generally considered a better method of investment appraisal **(1)** Both options have a positive NPV **(1)** Option 2 involves a smaller capital outlay which reduces risk **(1)** so option 1 may have higher finance costs **(1)** **Accept other valid points** **(1) mark for decision plus (max 4) for comments**	**5**