Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Structured Questions **May/June 2022**

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 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **17** printed pages.

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PUBLISHED

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.

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)

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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.

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

The following annotations are used in marking this paper and should be used by examiners.

Annotation	Use or 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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Question	Answer	Marks
1(a)	Karen and Lee Income statement for the year ended 28 February 2022	**9**

	$	$
Revenue	229 250	
Less returns inwards (2200 + 410)	(2 610)	
		226 640 **(1)**
Cost of sales		
Opening inventory	8 250	
Purchases	151 440	
Less returns outwards (3930 – 410)	(3 520)	
	156 170	
Carriage inwards	3 880 **(1)**	
	160 050	
Less closing inventory **W1**	(21 080) **(1)**	
		(138 970)
Gross profit		87 670 **(1)OF**
Less expenses		
Administrative expenses	6020	
Bank interest charges	180	
Insurance **W2**	6 800 **(1)**	
Loan interest (Lee) **W3**	200 **(1)**	
Depreciation of non-current assets **W4**	20 800 **(1)**	
Increase in provision for doubtful debts **W5**	50 **(1)**	
		(34 050)
Profit for year		53 620 **(1)**

W1 Closing inventory

	$
Original valuation	21 220
Less reduction in valuation of damaged items	
Cost 1320 less NRV 1180 (2480 – 1300)	(140)
	21 080

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Question	Answer	Marks
1(a)	**W2** Insurance 7740 less prepaid 940 (2/3 × 1410) = $6800 **W3** Loan interest (Lee) 6% × $10 000 × 1/3 = 200 **W4** Depreciation of non-current assets 20% × nbv $104 000 ($160 000 – $56 000) = $20 800 **W5** Increase in provision for doubtful debts $310 – $260 = $50	
1(b)	Lee Current Account Balance b/d $1 880; Drawings $19 900 **(1)**; Balance c/d $10 592; $32 372 Loan interest $200 **(1)OF**; Share of profit $32 172 **(1)OF**; $32 372; Balance b/d $10 592 **(1)OF**	**4**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>
The current account balance will be reduced by $4786 (6)

Workings
Recalculation of Lee’s current account balance

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Opening balance</td><td>(1 880)</td><td></td></tr>
<tr><td>Loan interest</td><td>200</td><td>(1)OF</td></tr>
<tr><td>Drawings</td><td>(19 900)</td><td>(1)</td></tr>
<tr><td>Interest on drawings (10% x $19 900)</td><td>(1 990)</td><td>(1)</td></tr>
<tr><td>Share of residual profits W1</td><td>29 376</td><td>(1)OF</td></tr>
<tr><td>Revised current account balance</td><td>5 806</td><td>(1)OF</td></tr>
</table>

The current account balance will be reduced by ($10 592 – $5806 = $4786 (1)

W1 Share of profits
53 620 (OF) + 3740 – 8400 = 48 960
Lee’s share of residual profit: 3/5 × $48 960 = $29 376
</td><td>6</td></tr>
<tr><td>1(d)</td><td>
• Fewer legal requirements (1) which means it has fewer costs (1)
• No requirement to publish financial statements (1) which means the partnership can keep its affairs private (1).
• No risk of dilution of ownership (1) there are less owners in a partnership (1)

Max 1 advantage (1 mark for the basic point + 1 for development)
Accept other valid responses.
</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(e)	• Shareholders enjoy limited liability for debts In the case of a company being wound up **(1)**, and they would only lose their investment in the company **(1)**. • Limited companies can access larger amounts of finance **(1)** through the issue of additional shares/debentures **(1)**. **Max 2 advantages (1 mark for the basic point + 1 for development)** **Accept other valid responses.**	**4**
1(f)	**Reasons for (Max 2)** • Will reduce cash outflows **(1)** • Costs may be saved through less expenditure on storage/carriage inwards **(1)** • Less chance of wastage/obsolescence of inventory **(1)** **Reasons against (Max 2)** • Business could lose valuable trade discounts **(1)** • Risk of running out of inventory of popular products (stock-outs) **(1)** • Limited inventory for customers may affect reputation **(1)** Advice **(1)** **Accept other valid responses.**	**5**

Question	Answer	Marks
2(a)	Technological change **(1)** Depletion **(1)** Time factor **(1)** Obsolescence **(1)** Economic factors **(1)** Inadequacy **(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>Accounting methods are applied in the same way in each accounting period (1) enabling valid comparison from year to year (1)

Accept other valid responses.
Max 2</td><td>2</td></tr>
<tr><td>2(c)</td><td>Journal
<table><tr><td></td><td>Dr
$</td><td>Cr
$</td><td></td></tr><tr><td>Property</td><td>350 000</td><td></td><td>(1)</td></tr><tr><td>Provision for depreciation W1</td><td>85 000</td><td></td><td>(1)</td></tr><tr><td>Revaluation reserve</td><td></td><td>435 000</td><td>(1)</td></tr></table>
W1 Provision for depreciation: 2 × 5% × $850 000 = $85 000</td><td>3</td></tr>
<tr><td>2(d)</td><td>Depreciation charge: $9639 (4)

Workings

Provision for depreciation is: Year 1 $14 000; Year 2 (10% × $126 000), i.e. $12 600 = $26 600
Net value at time of sale: $140 000 – $26 600 = $113 400
Net value after sale: 113 400 (1) – 17 010 (1) = $96 390 (1) × 10% = $9639 (1)

Accept alternative presentations</td><td>4</td></tr>
</table>

Question	Answer	Marks
2(e)	Motor vehicle disposal account Motor vehicle \$ 40 000 **(1)** Depreciation \$ 8 000**(1)** Motor vehicle 27 000**(1)** Income statement 5 000**(1)OF** 40 000 40 000	**4**

Question	Answer	Marks
3(a)(i)	Trade payables turnover Formula: Trade payables × 365/Credit purchases **(1)** Calculation: $\frac{42000 \times 365}{480000\ \textbf{(1)}}$ = 32 days **(1)**	**3**
3(a)(ii)	Trade receivables turnover Formula: Trade receivables × 365/Credit sales **(1)** Calculation: Total sales 2.5 × \$420 000 = \$1 050 000 $\frac{30000 \times 365}{315000\ \textbf{(1)}}$ = 35 days **(1)**	**3**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)(iii)</td><td>Return on capital employed (to two decimal places)

<table><tr><th>Formula</th><th>Calculation</th></tr><tr><td>$\frac{\text{Profit before interest} \times 100}{\text{Capital employed (Equity + Debentures)}}$ (1)</td><td>Profit before interest = $182 000 + debenture interest $20 000 = $202 000

$\frac{202000\ \textbf{(1)}}{1532000} \times 100 = 13.19\%$ (1)</td></tr></table></td><td>3</td></tr>
<tr><td>3(a)(iv)</td><td><table><tr><th>Formula</th><th>Calculation</th></tr><tr><td><u>Net revenue/net book value of non-current assets</u> (1)</td><td>1 050 000 / 1 520 000 = 0.69 times (1)</td></tr></table></td><td>2</td></tr>
<tr><td>3(b)</td><td>The ratio will inform the directors how efficiently assets are being used by the company to generate revenue (1). The low ratio is a cause for concern for the future growth of the business (1) OF
Accept other valid responses</td><td>2</td></tr>
<tr><td>3(c)</td><td>• To assess the security of the investment (1) to decide whether to sell shares or make further investment (1)
• To assess the profitability of the company (1) to gauge future dividends (1)
• To compare results of different companies (1) to decide on investments (1)

Max 1 reason (1 mark for the basic point + 1 for development)
Accept other valid responses</td><td>2</td></tr>
</table>

Question	Answer	Marks
4(a)(i)	Charging overheads/costs to a specific cost centre **(1)** where those overheads are clearly identified with that cost centre **(1)** **OR** Overheads expenses are directly attributed **(1)** to a specific cost centre **(1)**	**2**
4(a)(ii)	Charging overheads/costs that cannot be clearly identified with a specific cost centre **(1)** to cost centres on an appropriate basis. **(1)** **OR** Overhead expenses are shared between different departments **(1)** by using a suitable basis **(1)**	**2**
4(b)	• Useful for determining a selling price **(1)** • Avoids separating fixed and variable costs **(1)** **Accept other valid responses** **Max 1**	**1**
4(c)	Not useful for short-term decision-making **(1)** Not appropriate for monitoring the performance of managers/responsibility accounting **(1)** **Accept other valid responses** **Max 1**	**1**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)</td><td>
<table>
<tr><td></td><td colspan="2">Production departments</td><td colspan="2">Service departments</td><td></td></tr>
<tr><td></td><td>Assembly department</td><td>Finishing department</td><td>Stores department</td><td>Maintenance department</td><td></td></tr>
<tr><td></td><td>$</td><td>$</td><td>$</td><td>$</td><td></td></tr>
<tr><td>Total overhead costs</td><td>275 000</td><td>103 200</td><td>19 200</td><td>26 700</td><td></td></tr>
<tr><td>Maintenance</td><td>16 020</td><td>8 010</td><td>2 670</td><td>(26 700)</td><td>(1)</td></tr>
<tr><td>Subtotal</td><td>291 020</td><td>111 210</td><td>21 870</td><td>--</td><td></td></tr>
<tr><td>Stores</td><td>16 403</td><td>5 467</td><td>(21 870)</td><td></td><td>(1)OF</td></tr>
<tr><td>Total</td><td>307 423</td><td>116 677</td><td>--</td><td></td><td>(1)OF</td></tr>
</table>
</td><td>3</td></tr>
<tr><td>4(e)(i)</td><td>Assembly department: $307 422.5/1430, i.e. $214.98 (1) OF per machine hour (1)</td><td>2</td></tr>
<tr><td>4(e)(ii)</td><td>Finishing department: $116 677.5/840, i.e. $138.90 (1) OF per labour hour (1)</td><td>2</td></tr>
<tr><td>4(f)</td><td>Overheads absorbed: 1310 × $214.98 = $281 623.8 (1) OF
Actual overheads $285 400 less absorbed $281 623.80 = $3776.2 (1) OF under-absorbed (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(g)(i)</td><td>
Option A

$41 000 (4)

Workings

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Contribution (12 000 (1) × $9 (1))</td><td>108 000</td><td></td></tr>
<tr><td>Fixed costs ($40 000 + $24 000 + $3000)</td><td>67 000</td><td>(1)</td></tr>
<tr><td>Profit</td><td>41 000</td><td>(1)OF</td></tr>
</table>
Accept alternative approaches.
</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(g)(ii)</td><td>
Option B

$46 400 (3)

Workings

<table>
<tr><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Product X</td><td>8000 units × ($22.8 – Variable cost $15, i.e. $7.8)</td><td>62 400</td><td></td></tr>
<tr><td></td><td>Less fixed costs</td><td>(40 000)</td><td></td></tr>
<tr><td></td><td>Profit</td><td>22 400</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Product Z</td><td>4000 units × $12</td><td>48 000</td><td></td></tr>
<tr><td></td><td>Less fixed costs</td><td>24 000</td><td></td></tr>
<tr><td></td><td></td><td>24 000</td><td>(1)</td></tr>
<tr><td></td><td>Total profit</td><td>46 400</td><td>(1)</td></tr>
</table>
Accept alternative approaches.
</td><td>3</td></tr>
</table>

Question	Answer	Marks
4(h)	**Option A** (**Max 3**) • Will ensure major customer will continue to order in future **(1)** • How will customers for Product Z react - will their future orders be lost? **(1)** • Produces less profit **(1)** • Can training be implemented in time without loss of production **(1)** **Option B (Max 3)** • Will enable orders of other regular customers to be met **(1)** • Produces more profit **(1)** • Will the price cut actually produce the required level of sales of product X now and in the future **(1)?** • Reaction of competitors **(1)** • Is there a danger of losing a regular customer **(1)** Advice **(1)** **Accept other valid responses**	**7**

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