CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/21**

Paper 2 Fundamentals of Accounting **May/June 2024**

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 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U 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.

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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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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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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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>Calculate the total revenue for the year ended 31 December 2023.

$101 790 (3) W1

W1
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Cash takings</td><td>9 410</td><td></td></tr>
<tr><td>Add drawings</td><td>23 400</td><td></td></tr>
<tr><td></td><td>32 810</td><td>(1)</td></tr>
<tr><td>Credit sales ($60 230 × 100/95)</td><td>63 400</td><td>(1)</td></tr>
<tr><td>Credit customers at year-end</td><td>5 580</td><td></td></tr>
<tr><td></td><td>101 790</td><td>(1)</td></tr>
</table></td><td>3</td></tr>
</table>

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Question	Answer	Marks
1(b)	**Prepare the statement of profit or loss for the year ended 31 December 2023.**	**10**

Haroon and Rakesh
Statement of profit or loss for the year ended 31 December 2023

	$	$	
Revenue		101 790	**(1)OF**
Less expenses			
Discounts allowed	3 170		**(1)**
Cleaning materials ($11 420 – $290)	11 130		**(1)**
Rent of premises [$8960 – (2/3 × $2460)]	7 320		**(1)**
Electricity charges ($3450 + $430)	3 880		**(1)**
Loss on vehicle disposal **W1**	2 700		**(1)**
Depreciation			
Furniture and equipment **W2**	2 800		**(1)**
Motor vehicles **W3**	3 100		**(1)**
Accountant's fees	3 800}		**(1)**
Staff wages	29 870}		
Vehicle running costs	1 480}		
		(69 250)	
Profit for the year		32 540	**(1)OF**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>W1: Loss on disposal: carrying value at time of disposal $14 400 less proceeds $11 700 = $2700 (1)
W2: Depreciation of furniture and equipment 20% × $14 000 = $2800 (1)
W3: Depreciation of motor vehicles: vehicle 1 $1600 + vehicle 2 $1500 = $3100 (1)</td><td></td></tr>
<tr><td>1(c)</td><td>Prepare an extract from the statement of financial position at 31 December 2023 to show the current assets section <u>only.</u>

<table>
<tr><td>Current assets</td><td>$</td><td></td></tr>
<tr><td>Inventory (cleaning materials)</td><td>290</td><td>(1)</td></tr>
<tr><td>Trade receivables</td><td>5 580</td><td rowspan="2">}(1)</td></tr>
<tr><td>Other receivables</td><td>1 640</td></tr>
<tr><td>Cash at bank</td><td>27 930</td><td>(1)</td></tr>
<tr><td></td><td>35 440</td><td>(1)OF</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>1(d)</td><td>Calculate the balance on Rakesh’s capital account at 31 December 2023.

$33 626 (6) W1

W1
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Opening capital</td><td>16 000</td><td>(1)</td></tr>
<tr><td>Less drawings</td><td>(9 000)</td><td>(1)</td></tr>
<tr><td>Motor vehicle</td><td>15 000</td><td>(1)</td></tr>
<tr><td>Interest on capital</td><td>2 350</td><td>(1)</td></tr>
<tr><td>Share of profits</td><td>9 276</td><td>(1)</td></tr>
<tr><td>Closing capital</td><td>33 626</td><td>(1)OF</td></tr>
</table></td><td>6</td></tr>
</table>

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Question	Answer	Marks
1(e)	**Advise the partners whether or not they should maintain a full accounting system using an accounting software package. Justify your answer.** **Advantages (Max 3)** Will provide detailed information to support management of business **(1)** Facilitates production of documents (invoices, statements etc) **(1)** Will provide information required to support bank loan / tax assessment **(1)** Will save accountant's fees **(1)** Speed of processing data **(1)** Improved accuracy **(1)** **Disadvantages (Max 3)** Internal / external threats (hacking etc) **(1)** Cost of computer equipment and software **(1)** Possible training costs **(1)** Inconvenience of changing systems **(1)** Staff resistance **(1)** Advice supported by a comment **(1)** **Accept other valid responses.**	**7**

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Question	Answer	Marks
2(a)	**State <u>two</u> benefits of preparing a trial balance.** Provides a check on the arithmetical accuracy of the double-entry records **(1)** Provides details to be used in the preparation of financial statements **(1)** **Accept other valid responses.**	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Prepare journal entries to correct the errors. Narratives are <u>not</u> required.

Journal

<table>
<tr><td></td><td>Debit
$</td><td>Credit
$</td><td></td></tr>
<tr><td>Aryan Stores</td><td>80</td><td></td><td>(1)</td></tr>
<tr><td>Bank</td><td></td><td>80</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>JK Limited</td><td>110</td><td></td><td>(1)</td></tr>
<tr><td>K Limited</td><td></td><td>110</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Drawings</td><td>520</td><td></td><td>(1)</td></tr>
<tr><td>Purchases</td><td></td><td>520</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Discounts allowed</td><td>320</td><td></td><td>(1)</td></tr>
<tr><td>Purchases returns</td><td></td><td>320</td><td>(1)</td></tr>
</table>
*Each mark is for the correct label and amount.</td><td>8</td></tr>
<tr><td>2(c)</td><td>State what is meant by an error of principle. Supported your answer with <u>one</u> example.

Where a transaction is posted with the correct amount and to the correct side of an account but in the wrong class of account (1)
Example (1)</td><td>2</td></tr>
</table>

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Question	Answer	Marks
2(d)	**Explain, with reference to an accounting concept, why Sana needs to make an adjustment for goods taken for own use.** Business entity **(1)** The business and the owner are separate entities **(1)** Information can only be entered into the accounts if it has a direct impact on the business **(1)**	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Complete the statement of changes in equity for the year ended 31 March 2024

J Limited
Statement of changes in equity for the year ended 31 March 2024

<table>
<tr><td></td><td>Share capital
$</td><td>Share premium
$</td><td>Revaluation reserve
$</td><td>Retained earnings
$</td><td>Total
$</td><td></td></tr>
<tr><td>Balances, 1 April 2023</td><td>600 000</td><td>200 000</td><td>45 000</td><td>98 000</td><td>943 000</td><td>(1*)OF row</td></tr>
<tr><td>Rights issue</td><td>400 000 (1)OF</td><td>160 000 (1)OF</td><td></td><td></td><td>560 000</td><td></td></tr>
<tr><td>Dividend</td><td></td><td></td><td></td><td>(80 000)</td><td>(80 000)</td><td>(1)OF</td></tr>
<tr><td>Revaluation</td><td></td><td></td><td>(45 000) (1)</td><td>(15 000) (1)</td><td>(60 000)</td><td></td></tr>
<tr><td>Profit for year</td><td></td><td></td><td></td><td>37 000</td><td>37 000</td><td>(1)</td></tr>
<tr><td>Balances 31 March 2024</td><td>1 000 000</td><td>360 000</td><td></td><td>40 000</td><td>1 400 000</td><td>(1*)OF row</td></tr>
</table>
Marking guidance: Accept answer where profit for the year has been adjusted for the revaluation reserve deficit rather than the retained earnings.</td><td>8</td></tr>
<tr><td>3(b)</td><td>Explain <u>two</u> reasons why investors may prefer to invest in debentures rather than in ordinary shares.

Debentures receive a fixed rate of interest each year (1) whether or not profits are made by the company / dividend payments are discretionary (1).

Debentures are a less risky form of investment (1) as they are usually secured against specific assets (1)

Accept other valid responses.</td><td>4</td></tr>
</table>

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Question	Answer	Marks
3(c)	**State <u>three</u> uses of a share premium account.** Issue bonus shares to shareholders **(1)** Write off company formation expenses **(1)** Write off expenses of share issues **(1)** To pay the premium on the redemption of debentures. **(1)** **Max 3**	**3**

Question	Answer	Marks
4(a)	**Explain <u>two</u> reasons why a manufacturing company might change from using absorption costing to using marginal costing.** Easier to use **(1)** as no apportionment of fixed costs is required **(1)** Avoids problems of over absorption or under absorption of overheads **(1)** as overhead absorption rates are not used **(1)** Marginal costing is useful for short-term decision making **(1)** based on contribution **(1)** **Accept other valid responses.**	**4**
4(b)	**Calculate the contribution to sales ratio.** $\frac{\text{Contribution}}{\text{Revenue}} = \frac{\$198\,000}{\$660\,000} = 30\%$ **(1)**	**1**
4(c)	**Calculate the break-even point in sales revenue.** $316 667 **(2) W1** **W1** $\frac{\text{Fixed costs + Profit}}{\text{Contribution to sales ratio}} = \frac{\$95\,000}{0.3}$ **(1)OF** = $316 667 **(1) OF**	**2**

Question	Answer	Marks
4(d)	**Calculate the sales revenue required to achieve the target profit.** $783 334 **(2) W1** **W1** $\frac{\text{Fixed costs + Profit}}{\text{Contribution to sales ratio}} = \frac{\$235\,000}{0.3}$ **(1)** **(1) =** $783 334 **(1) OF**	**2**
4(e)	**State <u>three</u> reasons why a special order might be accepted with a negative contribution.** To avoid redundancies **(1)** To stimulate future orders at usual price **(1)** To raise brand awareness **(1)** To break into new market / to promote a new product **(1)** To dispose of discontinued inventory **(1)** **Max 3** **Accept other valid responses**	**3**

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Question	Answer	Marks
4(f)	**Calculate the optimum profit to be made in January 2025.** $20 675 **(8) W1** **W1** **Production plan**	**8**

	Aye	Bee	Cee
	$	$	$
Contribution per unit	14	17	12
Contribution per kg	2.33	2.13	3
	(1)	**(1)**	**(1)**

			$		Materials used kg
1st	Cee	1800 units × $12	21 600	**(1)OF**	7 200
2nd	Aye	2400 units × $14	33 600	**(1)OF**	14 400
3rd	Bee	13 400/8 = 1675 units **(1)** × $17	28 475	**(1)OF**	13 400
		Total contribution	83 675		
		Less fixed costs	63 000		
		Optimum profit	20 675	**(1)OF**	

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Question	Answer	Marks
4(g)	**Calculate the <u>additional</u> profit to be made if the shortfall in materials is made up by the overseas supplier.** $4 505 **(3) W1** **W1** Additional output of Bee = 1525 units **(1) OF** New contribution per unit = $17 – (1.10 × 8) = $8.20 **(1)** Additional profit = 1525 × $8.20 less fixed costs ($8000) = $4505 **(1) OF**	**3**
4(h)	**Advise the directors whether or not they should purchase the shortfall in materials from the overseas supplier. Justify your answer considering both advantages and disadvantages.** **Advantages (Max 3)** More profit **(1)** No loss of regular customers **(1)** Retains workforce **(1)** **Disadvantages (Max 3)** Is supplier reliable? **(1)** Will quality of materials be maintained? **(1)** Risk of delay in delivery **(1)** Currency fluctuations could increase prices **(1)** **Advice** supported by a comment **(1)** **Accept other valid responses.**	**7**

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