CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Fundamentals of Accounting **May/June 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 May/June 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	Repetition
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)(i)	**Calculate the depreciation charge for 2024 on the following non-current assets.** **Motor vehicles** 20% × ($80 000 – $28 400) = $10 320 **(1)**	**1**
1(a)(ii)	**Calculate the depreciation charge for 2024 on the following non-current assets.** **Furniture and equipment** (15% × $37 000 = $5 550) **(1)** + (15% × ½ × $8 000 = $600) = $6 150 **(1)**	**2**
1(b)	**Calculate the profit or loss on the disposal of the equipment.** Carrying amount at time of disposal: $8 000 – $3 000 = $5 000 **(1)** Loss on disposal: $5 000 – $3 900 = $1 100 loss **(1) OF**	**2**

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Question	Answer	Marks
1(c)	**Prepare the statement of profit or loss for the year ended 31 December 2024.**	**12**

H Limited
Statement of profit or loss for the year ended 31 December 2024

	$	
Revenue	570 000	
Cost of sales	(288 400)	
Gross profit	281 600	
Distribution costs **W1**	(102 140)	**(4) OF**
Administrative expenses **W2**	(115 790)	**(5) OF**
Profit from operations	63 670	
Income / rent received / rent income **W3**	6 400	**(1)**
Finance costs	(6 000)	**(1)**
Profit before taxation	64 070	
Taxation	(4 200)	
Profit for the year	59 870	**(1) OF**

W1 Distribution costs:

	$	
As given	9 800	
Carriage outwards	2 700	
Marketing costs ($24 240 – (4/5 × $8800))_	17 200	**(1)**
Sales staff wages and salaries ($62 300 + bonus $2400)	64 700	**(1)**
Depreciation motor vehicles (75% × $10 320)	7 740	**(1)**
	102 140	**(1) OF**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>
W2 Administrative expenses:
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>As given</td><td>11 560</td><td></td></tr>
<tr><td>Directors’ remuneration</td><td>56 000</td><td></td></tr>
<tr><td>Office wages $37 150 + $1 250</td><td>38 400</td><td>(1)</td></tr>
<tr><td>Depreciation motor vehicles (25% × $10 320)</td><td>2 580</td><td>(1)</td></tr>
<tr><td>Depreciation furniture and equipment – see 1(a)(ii)</td><td>6 150</td><td>(1) OF</td></tr>
<tr><td>Loss on disposal of furniture and equipment – see 1(b)</td><td>1 100</td><td>(1) OF</td></tr>
<tr><td></td><td>115 790</td><td>(1) OF</td></tr>
</table>
W3 Rental income:

$800 per month × 8 months = $6 400 (1)
</td><td></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>

Prepare the statement of changes in equity for the year ended 31 December 2024.

H Limited
Statement of changes in equity for the year ended 31 December 2024

<table>
<tr><th></th><th>Share Capital
$</th><th>Share Premium
$</th><th>Revaluation Reserve
$</th><th>Retained Earnings
$</th><th>Total
$</th><th></th></tr>
<tr><td>Balances at 1 January 2024</td><td>525 000</td><td>40 000
(1)fb</td><td>95 000</td><td>112 700</td><td>772 700</td><td></td></tr>
<tr><td>Share issue W1</td><td>200 000</td><td>80 000
(1)fb</td><td></td><td></td><td>280 000</td><td></td></tr>
<tr><td>Dividends paid</td><td></td><td></td><td></td><td>(22 500)
(1)</td><td>(22 500)</td><td></td></tr>
<tr><td>Revaluation of property</td><td></td><td></td><td>(95 000)</td><td>(55 000)
(1)fb</td><td>(150 000)</td><td></td></tr>
<tr><td>Profit for the year</td><td></td><td></td><td></td><td>59 870
(1)OF</td><td>59 870</td><td></td></tr>
<tr><td>Balances at 31 December 2024</td><td>725 000</td><td>120 000</td><td>–</td><td>95 070</td><td>940 070</td><td>(1) OF column</td></tr>
</table>

W1 Share capital: 400 000 × $0.50 = $200 000; Share premium 400 000 × $0.20 = $80 000

</td><td>6</td></tr>
</table>

Question	Answer	Marks
1(e)	**Advise the directors which option they should choose. Justify your answer by discussing <u>both</u> the advantages and disadvantages of <u>each</u> option.** **Option A = rights issue = max 4** **For** Will be a permanent source of finance **(1)** Will not affect profits **(1)** Dividend payments are discretionary **(1)** **Against** Will the rights issue be successful because they had recently made a share issue? **(1)** Could affect control of the company **(1)** Expensive to organise **(1)** **Option B = debentures = max 4** **For** No impact on control of company as no voting rights **(1)** No impact on profit distribution as no change in control **(1)** Temporary source of finance / repayable / liability **(1)** **Against** They have to finance the redemption of the existing debenture **(1)** Debenture interest will reduce profits **(1)** Debenture interest will have to be paid each year **(1)** **(Max 6)** **Accept other valid responses** **Decision supported by a comment (1)**	**7**

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

Prepare journal entries to correct the errors. Narratives are <u>not</u> required.

Journal

<table>
<tr><th>Error</th><th></th><th>Dr
$</th><th>Cr
$</th><th></th></tr>
<tr><td>1</td><td>Raif</td><td>80</td><td></td><td rowspan="2">(1) For both</td></tr>
<tr><td></td><td>Rafiq</td><td></td><td>80</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>2</td><td>P Limited</td><td>170</td><td></td><td rowspan="2">(1) For both</td></tr>
<tr><td></td><td>Suspense</td><td></td><td>170</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>3</td><td>Drawings</td><td>330</td><td></td><td rowspan="2">(1) For both</td></tr>
<tr><td></td><td>Purchases</td><td></td><td>330</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>4</td><td>Suspense</td><td>176</td><td></td><td>(1)</td></tr>
<tr><td></td><td>Discounts allowed</td><td></td><td>79</td><td>(1)</td></tr>
<tr><td></td><td>Discounts received</td><td></td><td>97</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>5</td><td>Bank</td><td>370</td><td></td><td rowspan="2">(1)
(1)</td></tr>
<tr><td></td><td>Irrecoverable debts recovered</td><td></td><td>370</td></tr>
</table>

</td><td>8</td></tr>
<tr><td>2(b)</td><td>

Calculate a revised figure for profit for the year ended 28 February 2025.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Draft profit for the year</td><td>37 320</td><td></td></tr>
<tr><td>Add: goods own use</td><td>330</td><td>(1)</td></tr>
<tr><td>Add discounts allowed</td><td>79</td><td>(1)</td></tr>
<tr><td>Add discounts received</td><td>97</td><td>(1)</td></tr>
<tr><td>Add irrecoverable debts recovered</td><td>370</td><td>(1)</td></tr>
<tr><td>Revised profit for the year</td><td>38 196</td><td>(1)</td></tr>
</table>

</td><td>5</td></tr>
</table>

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Question	Answer	Marks
2(c)	**Explain why an error of principle would have no effect on the agreement of trial balance totals.** An error of principle results in matching **(1)** debit and credit entries **(1)** so agreement of the trial balance totals is not affected.	**2**

Question	Answer	Marks
3(a)	**Calculate the revenue for the year ended 31 December 2024.** |	$		 | Purchases	82 980		 | Returns outwards	(1 050)	**(1)**	 | Increase in inventory	(2 730)	**(1)**	 | Cost of sales	79 200	**(1)**	 Revenue: Cost of sales \$79 200 OF × 1⅔ = 132 000 **(1) OF** **or** (\$79 200 OF/ 60) × 100 = 132 000 **(1) OF**	**4**
3(b)	**Calculate the amount owed by credit customers at 31 December 2024.** |	$	| | Opening balance of trade receivables	11 880	| | Credit sales (75% × \$132 000) – **see 3(a)**	99 000	**(1) OF** |	110 880	| | Receipts	(96 900)	**(1)** | Discounts allowed (1/19 × \$96 900 × 20%)	(1 020)	**(1)** | Closing balance of trade receivables	12 960	**(1) OF**	**4**
3(c)	**Identify <u>two</u> ways, other than allowing a cash discount, in which credit control can be improved.** Charge interest on overdue accounts **(1)** Set credit limits in individual cases **(1)** Send statements/reminders **(1)** Stopping supplies until overdue amounts have been paid **(1)** Ask for a deposit/payment up front **(1)** **Accept other valid responses** **Max 2**	**2**

Question	Answer	Marks
3(d)	**State <u>two</u> benefits of improving credit control.** May improve liquidity **(1)** Reduced risk of irrecoverable debts **(1)** **Accept other valid responses**	**2**
3(e)	**State <u>three</u> ways in which the security of data can be ensured within a computerised accounting system.** Install anti-virus packages **(1)** Use 'strong' passwords **(1)** Restricted access to data **(1)** Use encrypted USB drives **(1)** Introduce policy restricting employee's access to other websites **(1)** Train staff how to notice suspicious activity **(1)** Automatic lockdown or logging out **(1)** Saving/backing up of work **(1)** **Accept other valid responses** **Max 3**	**3**

Question	Answer	Marks
4(a)(i)	**Define the following terms:** **contribution** Contribution is the difference between selling price and variable costs **(1)**	**1**
4(a)(ii)	**Define the following terms:** **fixed costs** Fixed costs are costs which do not change with levels of business activity **(1)**	**1**
4(a)(iii)	**Define the following terms:** **margin of safety** Margin of safety is the difference between sales and break-even level of sales **(1)**	**1**
4(b)(i)	**Calculate the following in units:** **break-even point** Contribution \$11 **(1)**; Fixed costs $6 \times 8\,300 = \$49\,800$ **(1)** Break-even point 4 528 units **(1)**	**3**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)(ii)</td><td>Calculate the following in units:

margin of safety

8 300 – 4 528 = 3 772 units (1) OF</td><td>1</td></tr>
<tr><td>4(c)</td><td>Calculate the amount by which the monthly target profit is exceeded.

Monthly profit: (8 300 × $11) – $49 800 = $41 500 (1)
Excess of profit: $41 500 – $35 000 = $6 500 (1)OF</td><td>2</td></tr>
<tr><td>4(d)</td><td>Prepare a marginal costing statement for Option A to show the <u>total</u> monthly profit being made.

Marginal costing statement for one month for Option A

<table>
<tr><td colspan="2">Exe</td><td></td><td colspan="2">Wye</td><td></td></tr>
<tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Revenue
11 900 × $40</td><td>476 000</td><td>(1)</td><td>Revenue
4 000 × $38</td><td>152 000</td><td rowspan="3">(1)</td></tr>
<tr><td>Direct materials
11 900 × $14</td><td>(166 600)</td><td rowspan="2">(1)</td><td>Direct materials
4 000 × $15</td><td>(60 000)</td></tr>
<tr><td>Direct labour
11 900 × $12</td><td>(142 800)</td><td>Direct labour
4 000 × $10</td><td>(40 000)</td></tr>
<tr><td>Contribution</td><td>166 600</td><td>(1)OF</td><td>Contribution</td><td>52 000</td><td>(1)OF</td></tr>
<tr><td>Total contributions</td><td>218 600</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Less fixed costs</td><td>126 000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Profit per month</td><td>92 600</td><td>(1) OF</td><td></td><td></td><td></td></tr>
</table>
</td><td>6</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>

Calculate the <u>total</u> profit to be made in the first month of operation if Option B is adopted.

Option B

<table>
<tr><td>Exe</td><td>$</td><td></td></tr>
<tr><td>14 000 × $39</td><td>546 000</td><td>(1)</td></tr>
<tr><td>Direct materials 14 000 × $13.125 W1</td><td>(183 750)</td><td>(1)</td></tr>
<tr><td>Direct labour 14 000 × $12</td><td>(168 000)</td><td>(1)</td></tr>
<tr><td>Contribution</td><td>194 250</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Wye</td><td></td><td></td></tr>
<tr><td>Contribution: 3 000 × $17</td><td>51 000</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Total contribution</td><td>245 250</td><td></td></tr>
<tr><td>Less fixed costs</td><td></td><td></td></tr>
<tr><td>($126 000 + $5 000 + $23 000 (1)</td><td>154 000</td><td>(1)</td></tr>
<tr><td>Profit for first month</td><td>91 250</td><td>(1) OF</td></tr>
</table>

W1 Direct materials: price was $14 per unit with 20% discount; so price pre-discount was $17.50; and new price after 25% discount is $13.13

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
4(f)	**Advise the directors which option they should choose. Justify your choice by discussing <u>both</u> financial and non-financial factors for <u>both</u> options.** **Financial (max 4)** **Option A = continue with production of both** • Produces greater profit in first month of operation by very small amount $1350 **(1)** • Can meet all existing customer's requirements for product Wye (4000 units) **(1)** • Business is still not operating at full capacity **(1)** **Option B = use overseas supplier for Wye** • Produces significantly greater profit in subsequent months (no training costs; no loss on disposal) **(1)** • Risk of losing some customers for product Exe who make joint purchases of Wye and Exe (and whose order for Wye cannot be satisfied) reducing revenue and profits **(1)** • Some possible redundancy costs for direct labour currently producing product Exe **(1)** • Will reduction in price for product Exe be effective? **(1)** **Non-financial (max 4)** • Will overseas supplier prove reliable/deliveries on time? **(1)** • Are future supplies guaranteed? **(1)** • How will direct labour react to any redundancies/requirement to retrain? **(1)** • Will retraining be effective? **(1)** • Foreign exchange rates **(1)** **(Overall max 6)** **Decision supported with a comment (1)** **Accept other valid responses**	**7**