Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Structured Questions **October/November 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 October/November 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)

	Debit $		Credit $	
Revaluation reserve	6 000	**(1)**		
Income statement	2 000	**(1)**		
Freehold property			8 000	**(1)**

3

1(b)

P Limited
Income statement for the year ended 31 August 2021

		$	
Revenue		210 200	**(1)**
Cost of sales	**W1**	(88 510)	**(4)OF**
Gross profit		121 690	
Administrative expenses		(41 860)	**(1)**
Distribution costs	**W2**	(76 730)	**(7)OF**
Profit from operations		3 100	
Finance costs		(1 890)	**(1)**
Profit for the year		1 210	**(1)OF**

W1 Cost of sales
22 880 + 88 900 – 23 400 **(1)** – 260 **(1)** + 390 **(1)** = 88 510 **(1)OF**

W2 Distribution costs
44 320 – 180 **(1)** + 20 040 **(1)** + 1 320 **(1)** + 7 780 **(1)** + 2 000 **(1)** + 1 450 **(1)** = 76 730 **(1)OF**

15

Question	Answer	Marks
1(c)	<table><tr><td></td><td>**$**</td><td></td></tr><tr><td>Balance at 1 September 2020</td><td>24 200</td><td></td></tr><tr><td>Dividend paid</td><td>(3 000)</td><td>**(1)**</td></tr><tr><td>Profit for the year</td><td>1 210</td><td>**(1)OF**</td></tr><tr><td>Balance at 31 August 2021</td><td>22 410</td><td>**(1)OF**</td></tr></table>	**3**
1(d)	Offer discount for early settlement **(1)** Charge interest on overdue accounts **(1)** Regular chasing of debts / improve credit control **(1)** Encourage cash sales rather than credit sales/discourage credit sales **(1)** Debt factoring **(1)** **Accept other valid responses**	**2**
1(e)	**Option 1 (max 3 marks)** Permanent capital **(1)** Would existing shareholders be prepared to pay the 25% premium? **(1)** The shares would have voting rights which could weaken the directors' position **(1)** But dividend payments would be discretionary **(1)** Would rights issue be fully subscribed? **(1)** **Option 2 (max 3 marks)** Company already has $36 000 debentures due for repayment next year **(1)** 8% interest rate is more expensive than current debentures **(1)** Debenture holders do not have voting rights so no likelihood of loss of control **(1)** Interest will have to be paid whether the company makes a profit or loss **(1)** Will leave the company very heavily reliant on external borrowing **(1)** May require security **(1)** **Accept other valid responses** **Decision (1)**	**7**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Suspense Account
<table>
<tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Trial balance difference</td><td>8</td><td>(1)OF</td><td>Discount allowed</td><td>175</td><td>(1)</td></tr>
<tr><td>Motor repairs</td><td>27</td><td>(1)</td><td>Sales</td><td>220</td><td>(1)</td></tr>
<tr><td>Sales ledger control</td><td>850</td><td>(1)</td><td>Discount received</td><td>490</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>885</td><td></td><td></td><td>885</td><td></td></tr>
</table></td><td>6</td></tr>
<tr><td>2(b)</td><td><table>
<tr><td>Error</td><td>Type of error</td></tr>
<tr><td>1</td><td>Transposition (1)</td></tr>
<tr><td>2</td><td>Principle (1)</td></tr>
<tr><td>3</td><td>Partial omission (1)</td></tr>
</table></td><td>3</td></tr>
<tr><td>2(c)</td><td>Reduces the possibility of fraud (1) as a result of segregation of duties (1)
Identifies total trade payables (1) and so aids the preparation of financial statements (1)
Checks the arithmetical accuracy of the purchases’ ledger (1) the balance on control accounts should equal the total of the individual balances in the purchases’ ledger (1)

Max 2 benefits x 2 marks
(1 mark for identification, 1 mark for development)
Accept other valid responses</td><td>4</td></tr>
</table>

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Question	Answer	Marks
2(d)	Credit purchases **(1)** Returned cheque **(1)** Interest charged by supplier **(1)** Brought forward balance **(1)** Supplier refund **(1)** **Max 2 marks** **Accept other valid responses**	**2**

Question	Answer	Marks
3(a)		**11**

Ordinary share capital

Date	Details	$		Date	Details	$	
2021 Jun 30	Balance c/d	220 000		2020 Jul 1	Balance b/d	150 000	
				1 Aug	Bank	30 000	**(1)**
				2021 Mar 1	Share premium	37 000	**(1)**
					Retained earnings	3 000	**(1)**
		220 000				220 000	
				Jul 1	Balance b/d	220 000	**(1)OF**

Share premium

Date	Details	$		Date	Details	$	
2021 Mar 1	Ordinary share capital	37 000	**(1)OF**	2020 Jul 1	Balance b/d	25 000	
				Aug 1	Bank	12 000	**(1)**
		37 000				37 000	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>
Retained Earnings
<table>
<tr><td>Date</td><td>Details</td><td>$</td><td></td><td>Date</td><td>Details</td><td>$</td><td></td></tr>
<tr><td>2020
Dec 1</td><td>Bank</td><td>7 200</td><td>(1)</td><td>2020
Jul 1</td><td>Balance b/d</td><td>28 700</td><td></td></tr>
<tr><td>2021
Mar 1</td><td>Ordinary share capital</td><td>3 000</td><td>(1)OF</td><td>2021
Jun 30</td><td>Income statement</td><td>76 520</td><td>(1)</td></tr>
<tr><td>Jun 30</td><td>Balance c/d</td><td>95 020</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>105 220</td><td></td><td></td><td></td><td>105 220</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>Jul 1</td><td>Balance b/d</td><td>95 020</td><td>(1)OF</td></tr>
</table>
1 mark for all correct dates and labels
</td><td></td></tr>
<tr><td>3(b)</td><td>Capital reserves are created from non-trading activities, revenue reserves are created from revenue/trading activities (1).

Capital reserves are used to meet capital losses only, not for payment of dividends, revenue reserves may be used to pay dividends (1).

Revenue reserves are distributable, capital reserves are not distributable (1)

Max 2 marks
Accept other valid responses</td><td>2</td></tr>
<tr><td>3(c)</td><td>To compensate shareholders (1) in the event of shortage of liquid resources to pay a dividend (1)
Increases the issued share capital (1) creating a perception of success (1)
To capitalise revenue reserves (1) to strengthen the statement of financial position (1)

Max 2 marks
Accept other valid responses</td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>(i) Floor space (1)
(ii) Net book value/cost of machinery (1)
(iii) Budgeted machine hours/power/Kw hours (1)

Accept other valid responses.</td><td>3</td></tr>
<tr><td>4(b)</td><td>
<table>
<tr><td></td><td></td><td colspan="2">Production departments</td><td colspan="2">Service departments</td><td></td></tr>
<tr><td></td><td>Total
$</td><td>Machining
$</td><td>Finishing
$</td><td>Stores
$</td><td>Maintenance
$</td><td></td></tr>
<tr><td>Total overheads</td><td>449 800</td><td>188 850</td><td>172 850</td><td>53 325</td><td>34 775</td><td></td></tr>
<tr><td>Re-apportion stores</td><td></td><td>34 128</td><td>19 197</td><td>(53 325)</td><td></td><td>(1)</td></tr>
<tr><td>Subtotal</td><td></td><td>222 978</td><td>192 047</td><td>-</td><td>34 775</td><td></td></tr>
<tr><td>Re-apportion Maintenance</td><td></td><td>28 979</td><td>5 796</td><td></td><td>(34 775)</td><td>(1)</td></tr>
<tr><td>Total overheads cost</td><td></td><td>251 957</td><td>197 843</td><td></td><td>–</td><td></td></tr>
<tr><td></td><td></td><td>(1)OF</td><td>(1)OF</td><td></td><td></td><td></td></tr>
</table>
</td><td>4</td></tr>
<tr><td>4(c)</td><td>Machining $251 957 / 38 600 hours = $6.53 (1)OF per machine hour (1)

Finishing $197 843 / 19 800 hours = $9.99 (1)OF per labour hour (1)</td><td>4</td></tr>
</table>

Question	Answer	Marks
4(d)		**4**

	Machining $		Finishing $	
Actual	265 800		187 420	
Absorbed 36 940 x $6.53	241 218			
Absorbed 19 260 x $9.99			192 407	
	24 582	**(1)OF**	4 987	**(1)OF**
	Under absorbed	**(1)OF**	Over absorbed	**(1)OF**

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Question	Answer	Marks

4(e)

	$	
Direct material	36.20	**(1)**
Direct labour – Machining	6.00	
Direct labour – Finishing	10.00	
Overheads – Machining ($6.53 × 20 minutes)	2.18	**(1)OF**
Overheads – Finishing ($9.99 × 60 minutes)	9.99	**(1)OF**
Total cost per unit	64.37	**(1)OF**
Mark-up (30/70)	27.59	**(1)OF**
	91.96	
Number of units	200	
Quoted price	18 392.00	**(1)OF**

Alternative presentation

	$	
	7 240.00	**(1)**
	1 200.00	
	2 000.00	
	436.00	**(1)OF**
	1 998.00	**(1)OF**
	12 874.00	**(1)OF**
	5 517.43	**(1)OF**
	18 391.43	**(1)OF**

Marks: **6**

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Question	Answer	Marks
4(f)	**For factory-wide (max 2 marks)** Easier/less complicated to calculate **(1)** Saves time **(1)** Therefore, saves money **(1)** **Against factory-wide (max 2 marks)** Does not differentiate capital intensive production from labour intensive production **(1)** Produces less accurate selling prices **(1)** Produces less accurate overhead absorption rate **(1)** Products may spend differing amounts of time in each department/ Does not reflect accurate departmental usage **(1)** **Advice (1)** **Accept other valid responses**	**5**
4(g)	Selling prices may be too high **(1)** making products uncompetitive/leading to lower demand **(1)** Lower demand **(1)** can lead to lower profits **(1)** The value of closing inventory may be overstated **(1)** causing profit to be overstated **(1)** Less expenses are recognised in the income statement **(1)** resulting in more profit being reported **(1).** **Max 2 effects (1 mark for stating the effect and 1 mark for development).** **Accept other valid responses**	**4**

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