Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/23**

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.

© UCLES 2021

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.

© UCLES 2021

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.

© UCLES 2021

PUBLISHED

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).

© UCLES 2021

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.

© UCLES 2021

Question	Answer	Marks
1(a)(i)	$444 400 **(2) OF** **Workings** Average inventory = ($46 800 + $54 200) / 2 = $50 500 **(1)** Cost of sales = $50 500 **(OF)** × 8.8 **(1)** = $444 400	**2**
1(a)(ii)	$808 000 **(2) OF** **Workings** $444 400 **(OF)** × 100/55 **(1)** = $808 000 **(1) OF**	**2**
1(b)	$1485 **(4) OF** **Workings** Net trade receivables $108 000 **(1)** 61–90 days $108 000 **(OF)** × 15% = $16 200 × 2.5% = $405 **(1) OF** Over 90 days $108 000 **(OF)** × 10% = $10 800 × 10% = $1080 **(1) OF** Balance $1485 **(1) OF** **Alternatively** (b) rate of provision = (15% × 2.5%) + (10% × 10%) = 1.375% Provision = 1.375% × (110 360 – 2360) = $1485	**4**

Question	Answer	Marks
1(c)		**11**

T Limited
Income statement for the year ended 30 June 2021

		$	
Revenue		808 000	
Cost of sales		(444 400)	
Gross profit		363 600	**(1) OF**
Administrative expenses	**W1**	(159 340)	**(6) OF**
Distribution costs	**W2**	(184 070)	**(2) OF**
Profit from operations		20 190	
Finance costs		(7 630)	**(1)**
Profit for the year		12 560	**(1) OF**

W1 Administrative expenses

	$	
Balance	55 900	
Directors' remuneration	46 800	**(1)**
Depreciation	26 400	**(1)**
Wages and salaries	27 630	**(1)**
Irrecoverable debt	2 360	**(1)**
Increase in Prov for DD	250	**(1) OF**
	159 340	**(1) OF**

W2 Distribution costs

	$	
Balance	59 200	
Directors' remuneration	27 600	**(1)**
Depreciation	32 800	
Wages and salaries	64 470	
	184 070	**(1) OF**

© UCLES 2021

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>T Limited
Statement of Changes in Equity for the year ended 30 June 2021

<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>At 1 July 2020</td><td>440 000</td><td>–</td><td>7 500</td><td>86 320</td><td>533 820</td><td></td></tr>
<tr><td>Revaluation</td><td></td><td></td><td>(7 500)</td><td>(2 500)</td><td>(10 000)</td><td>(1) for row</td></tr>
<tr><td>Rights issue</td><td>220 000</td><td>82 500</td><td></td><td></td><td>302 500</td><td>(1) for row</td></tr>
<tr><td>Bonus issue</td><td>66 000</td><td>(66 000)</td><td></td><td></td><td>–</td><td>(1) for row</td></tr>
<tr><td>Final dividend</td><td></td><td></td><td></td><td>(18 150)</td><td>(18 150)</td><td>(1) for row</td></tr>
<tr><td>Profit for the year</td><td></td><td></td><td></td><td>12 560</td><td>12 560</td><td>(1) OF for row</td></tr>
<tr><td>At 30 June 2021</td><td>726 000</td><td>16 500</td><td>-</td><td>78 230</td><td>820 730</td><td>(1) OF for row</td></tr>
</table></td><td>6</td></tr>
<tr><td>1(e)(i)</td><td>Revenue / Net book value of non-current assets (1)</td><td>1</td></tr>
<tr><td>1(e)(ii)</td><td>How efficiently the business is utilising non-current assets to generate revenue (1)

Accept other valid responses.</td><td>1</td></tr>
<tr><td>1(f)</td><td>Based on historic data (1)
Non-financial factors not included (1)
Ignores inflation (1)
Different accounting policies (1)
Different year-ends (1)
Different size of business (1)
Max 3 marks
Accept other valid responses.</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>To make sure the retiring partner gets a fair share of the up-to-date value of the net assets (1)
Accept other valid responses.</td><td>1</td></tr>
<tr><td>2(b)</td><td>Revaluation Account
<table>
<tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Motor vehicles</td><td>4 500</td><td>(1) both</td><td>Property</td><td>12 000</td><td>(1)</td></tr>
<tr><td>Inventory</td><td>1 200</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Capital accounts
Abbie
Ben
Cain</td><td>
3 150
2 100
1 050</td><td>(1)</td><td></td><td></td><td></td></tr>
<tr><td></td><td>12 000</td><td></td><td></td><td>12 000</td><td></td></tr>
</table>
Alternative presentation acceptable.</td><td>3</td></tr>
</table>

Question	Answer	Marks
2(c)	**Capital Accounts**	**6**

	Abbie $	Ben $	Cain $		Abbie $	Ben $	Cain $
Motor vehicle Current account		14 500 3 250 **(1) both**		Balance b/d	60 000	40 000	20 000
Loan account		37 350 **(1) OF**		Revaluation	3 150	2 100	1 050 **(1) OF row**
Goodwill **	23 400		15 600	Goodwill ** **(1) for both**	19 500	13 000	6 500
Balance c/d	59 250		39 500	Bank			27 550 **(1) OF**
	82 650	55 100	55 100		82 650	55 100	55 100
				Balance b/d **(1) OF for all**	59 250		39 500

Question	Answer	Marks
2(d)	**Option 1 (max 2 marks)** The main purpose of an overdraft is to secure temporary working capital **(1)** As the settlement is a longer-term commitment, the bank may not agree to the overdraft **(1)** Even with the additional capital introduced by Cain, the partnership is still short of liquid working capital **(1)** Is the partnership sufficiently profitable to repay the overdraft? **(1)** **Option 2 (max 2 marks)** Would Ben agree to leave the full balance owing in addition to the $10 000 he has already agreed to ? **(1)** The 5% interest rate is likely to be substantially less expensive than the overdraft interest rate **(1)** **Advice (1)** **Accept other valid responses**	**5**

Question	Answer	Marks
3(a)	Provision for Depreciation – Plant and Machinery	**5**

Date	Details	$	Date	Details	$
2021 Jan 1	Disposal	900 **(1)**	2020 Aug 1	Balance b/d	12 200
July 31	Disposal	790 **(1)**	July 31	Income statement **W1**	3 428 **(1)**
	Balance c/d	13 938			
		15 628			15 628
			Aug 1	Balance b/d	13 938 **(1) OF**

W1 26 800 – 12 200 + 4 200 – 1 600 – 60 = 17 140 × 20% = $3 428 **(1)**

1 mark for all correct dates and labels.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Disposal Account
<table>
<tr><th>Date</th><th>Details</th><th>$</th><th>Date</th><th>Details</th><th>$</th></tr>
<tr><td>2021
Jan 1</td><td>Plant and Machinery – Cost</td><td>2 500
(1)</td><td>2021
Jan 1</td><td>Plant and Machinery – Provision for Depreciation</td><td>900
(1) OF</td></tr>
<tr><td>July 31</td><td>Plant & Machinery – Cost</td><td>850
(1)</td><td></td><td>Plant and Machinery – Cost</td><td>1 750
(1)</td></tr>
<tr><td>July 31</td><td>Income statement</td><td>90
(1) OF</td><td>July 31</td><td>Plant and Machinery – Provision for Depreciation</td><td>790
(1) OF</td></tr>
<tr><td></td><td></td><td>3 440</td><td></td><td></td><td>3 440</td></tr>
</table>
1 mark for all correct dates and labels
</td><td>7</td></tr>
<tr><td>3(c)</td><td>Depreciation is charged to comply with the matching/accruals concept (1). As machinery is likely to be more productive in its early years, the reducing balance method initially charges higher depreciation in those years (1). This ensures that the value of plant and machinery is more realistic and represents a true and fair view (1)

Accept any other appropriate responses

Max 3</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>188 units (3) W

Variable costs $0.50 + $0.30 + $36.00 = $36.80
Fixed costs $410 + $180 + $120 + $400 + $240 = $1350 (1)
Contribution $44.00 - $36.80 = $7.20 (1)
Breakeven point $1 350 (1) / $7.20 (1) = 188 units (1) OF</td><td>3</td></tr>
<tr><td>4(b)(i)</td><td>The difference between the breakeven point and forecast sales. (1)</td><td>1</td></tr>
<tr><td>4(b)(ii)</td><td>Allows a business to see how far sales could fall before making a loss. (1)
It is a basic measure of risk (1)</td><td>2</td></tr>
<tr><td>4(c)</td><td><table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Revenue</td><td>9 680</td><td></td></tr>
<tr><td>Cost of sales</td><td>8 096</td><td></td></tr>
<tr><td>Contribution</td><td>1 584</td><td>(1)</td></tr>
<tr><td>Fixed costs</td><td>1 350</td><td>(1) OF</td></tr>
<tr><td>Profit for the week</td><td>234</td><td>(1) OF</td></tr>
</table></td><td>3</td></tr>
</table>

© UCLES 2021

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)</td><td>$53.00 (3) W

<table><tr><td></td><td>$</td><td></td></tr><tr><td>Variable costs</td><td>36.80</td><td>OF</td></tr><tr><td>Additional direct material</td><td>5.40</td><td rowspan="2">(1)</td></tr><tr><td>Additional finishing labour bonus</td><td>0.20</td></tr><tr><td>Total variable costs</td><td>42.40</td><td>(1) OF</td></tr></table>
Selling price $42.40 × 100/80 = $53.00 (1) OF</td><td>3</td></tr>
<tr><td>4(e)</td><td><table><tr><td></td><td>$</td><td></td></tr><tr><td>Sales revenue (220 × $44) + (80 × $48)</td><td>13 520</td><td>(1)</td></tr><tr><td>Variable costs (220 × $36.80) + (80 × $42.40)</td><td>(11 488)</td><td>(1) OF</td></tr><tr><td>Contribution</td><td>2 032</td><td>(1) OF</td></tr><tr><td>Fixed costs ($1 350 (OF) + $150)</td><td>(1 500)</td><td>(1) OF</td></tr><tr><td>Profit for the week</td><td>532</td><td>(1) OF</td></tr></table></td><td>5</td></tr>
<tr><td>4(f)</td><td>532 (OF) – 192 = $340 (1)OF</td><td>1</td></tr>
</table>

© UCLES 2021

Question	Answer	Marks
4(g)	**Financial (max 3 marks)** Will earn additional annual profit of $5512. **(1) OF** Target profit will be met. **(1) OF** Will H Co expect a similar settlement discount? **(1)** Produces a positive contribution. **(1)** **Non-financial (max 3 marks)** Less reliance on only one customer **(1)** Utilises spare capacity **(1)** How long-term will the contract be? **(1)** Will customer abide by the agreed settlement terms? **(1)** **Accept any other valid responses** **Advise (1)**	**7**
4(h)	Aids short-term decision making. **(1)** Enables the setting of the most profitable combination of selling price, cost and volume. **(1)** Assists management in reviewing and controlling costs. **(1)** **Accept any other valid responses** **Max 2 marks**	**2**
4(i)	Only relevant when dealing with a single product / constant product mix. **(1)** Assumes that the selling price remain constant. **(1)** Assumes that production volume matches sales volume. **(1)** Assumes variable cost per unit remains constant **(1)** Assumes fixed costs remain fixed **(1)** **Accept any other valid responses** **Max 3 marks**	**3**

© UCLES 2021