Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/33**

Paper 3 Structured Questions **October/November 2021**

MARK SCHEME

Maximum Mark: 150

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)	Provision for unrealised profit accounts Balance c/d **W1** $1800 **(2)** — Balance b/d $1400 **(1)**; Income statement $400 **(1)OF**; $1800 Balance b/d $1800 **W1** 9000 **(1)** × 1/5 **(1)** = $1800	**4**
1(b)	The value of manufactured inventory at cost has increased **(1)** from (8400 – 1400) $7000 to (9000 – 1800) $7200 **(1)OF** The rate of factory profit has increased **(1)** from 20% to 25% **(1).**	**4**

Question	Answer			Marks
1(c)(i)	Anil Manufacturing account for the year ended 31 December 2020			**8**
		$		
	Opening inventory of raw materials	6 300		
	Purchases of raw materials	87 000		
	Carriage inwards	6 800	**(1)**	
		100 100		
	Closing inventory of raw materials	5 800		
	Cost of raw materials consumed	94 300	**(1) (w+f)**	
	Factory labour	46 200		
	Prime cost	140 500	**(1)OF (w+f)**	
	Factory rent	9 200	**(1)**	
	Factory depreciation	10 240	**(1)**	
	Other factory overheads	40 860		
		200 800		
	Opening work in progress	4 400	**}**	
	Closing work in progress	–4 600	**}(1)**	
	Cost of production	200 600		
	Factory profit	50 150	**(1)OF**	
	Transfer value	250 750	**(1)OF (w+f)**	

1(c)(ii)	Anil Income statement for the year ended 31 December 2020	**9**

	$	$	
Revenue		362 000	
Opening inventory of finished goods	8 400		
Transfer value	250 750		**(1)OF**
Purchases of finished goods	29 600		**(1)**
Carriage inwards	1 200		**(1)**
	289 950		
Closing inventory of finished goods	10 000		
		279 950	
Gross profit		82 050	
Factory profit		50 150	**(1)OF**
Office rent	6 300		*
Office depreciation	3 000		**(1)**
Increase in PUP	400		**(1)OF**
Other administrative expenses	45 600		
Total administrative expenses		55 300	
Distribution rent	1 600		**(1)*both**
Distribution depreciation	7 500		**(1)**
Other distribution costs	11 200		
Total distribution costs		20 300	
Profit for the year		56 600	**(1)OF**

Question	Answer	Marks
2(a)	A high income gearing ratio would represent increased risk **(1)** that a business would be unable to cover its interest payments **(1)** **Accept other valid points.**	**2**
2(b)		**8**

	$	
2021 profit for the year	36 000	**(1)**
debenture interest	4 000	**(1)**
2021 profit from operations	40 000	
12% increase	4 800	**(1)OF**
2022 profit from operations	44 800	**(1)OF**
maximum interest (25%)	11 200	**(1)OF**
debenture interest	(4 000)	**(1)**
bank interest	7 200	**(1)OF**
maximum loan (x10)	72 000	**(1)OF**

2(c)		**6**

	$	
2022 profit from operations (from b)	44 800	**(1)OF**
debenture interest	(4 000)	**(1)**
bank interest	(10 000)	**(1)**
2022 profit for the year	30 800	
add balance b/f	78 000	**(1)**
dividend (18/36 = 50%)	(15 400)	**(1)OF**
closing 2022 retained earnings	93 400	**(1)OF**

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Question	Answer	Marks
2(d)(i)	$\frac{50}{378} = 13.23\%$ **(1)**	**1**
2(d)(ii)	$\frac{150}{250 + 93.4 + 150} = 30.40\%$ **(1)OF**	**1**
2(e)	Taking out the bank loan would increase gearing **(1)** but the ratio would remain low **(1).** The interest would mean that the income gearing target would not be achieved. **(1)** May need security / collateral **(1)** and will have to be repaid. **(1)** There will be no dilution of ownership. **(1)** The directors could consider raising all or part of the funds by means of a share issue **(1).** Dividends would only need to be paid if funds were available. **(1)** There could be a new issue of debentures **(1)** which might have a lower interest rate than the bank loan **(1).** The directors could consider renting the new premises rather than buying **(1).** The inventory level may be rather high and funds could be released if this was reduced **(1).** **Accept other valid points.** Decision **(1)** mark Comments **Max (6) marks**	**7**

Question	Answer	Marks
3(a)	Aiona account |	| | | | | | | | | $ | | | $ | | | Consignment to Aiona | 56 000 | **(1)** | Consignment to Aiona | 3 000 | **(1)** | | | | | Consignment to Aiona | 8 400 | **(1)** | | | | | Bank | 30 000 | **(1)** | | | | | Balance c/d | 14 600 | **(1)OF** | | | 56 000 | | | 56 000 | | | Balance b/d | 14 600 | | | | |	**5**
3(b)	Debit $ / Credit $ Consignment to Henri 18 000 **(1)** Consignment to Aiona 18 000 **(1)** Consignment to Aiona 4 000 **(1)** Consignment to Henri 4 000 **(1)** Correction of error in posting freight charges to consignment accounts **(1)**	**5**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Draft total of inventories = 42 600 + 5500 = $48 100
Corrected inventory for A = 600 × (50+4+3) (1) = $34 200 (1)OF
Corrected inventory for H = 100 × (50+18+1) (1) = $6900 (1)OF
Corrected total of inventories = $41 100 (1)OF
Corrected total lower (1) by $7000 (1)OF
Effect of error was to overstate inventory (1) as the proportion of freight costs being carried forward to the following year was too high (1).

Max 9 marks

Accept other valid points</td><td>9</td></tr>
<tr><td>3(d)</td><td>Draft profit for the year was also overstated (1) by the same amount / because the proportion of freight costs relating to the current year’s sales was too low / because the freight costs were not properly matched with sales. (1)</td><td>2</td></tr>
<tr><td>3(e)</td><td><table><tr><th>Item</th><th>Financial statement</th><th>Section</th></tr><tr><td>balance owed to consignor (1)</td><td>statement of financial position *</td><td>current liabilities * (1) both</td></tr><tr><td>commission earned (1)</td><td>income statement *</td><td>other income * (1) both</td></tr></table></td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>as the higher (1) of the fair value (1) and the value in use (1)</td><td>3</td></tr>
<tr><td>4(b)</td><td>
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>cost</td><td>26 000</td><td></td></tr>
<tr><td>depreciation (26000 × 20% × 6/12)</td><td>2 600</td><td>(1)</td></tr>
<tr><td>carrying amount</td><td>23 400</td><td>(1)OF</td></tr>
<tr><td>recoverable amount</td><td>22 000</td><td></td></tr>
<tr><td>impairment loss</td><td>1 400</td><td>(1)OF</td></tr>
</table>
</td><td>3</td></tr>
<tr><td>4(c)</td><td>An adjusting event (1) as the review gave evidence about a condition which existed at the year end (1)</td><td>2</td></tr>
<tr><td>4(d)</td><td>
SW plc
Statement of financial position (extract) at 31 December 2020
<table>
<tr><td>Non-current assets</td><td>$</td><td></td></tr>
<tr><td>Intangible (1)</td><td></td><td></td></tr>
<tr><td>Goodwill</td><td>17 000 (1)</td><td></td></tr>
<tr><td>Tangible</td><td></td><td></td></tr>
<tr><td>Property, plant and equipment (1) W1</td><td>333 245 (6)</td><td></td></tr>
<tr><td></td><td>350 245</td><td></td></tr>
</table>
W1
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Old premises
180 000 – (90 000 × 2% × 3/12) = 180 000 – 450 (1)</td><td>179 550</td><td>(1)OF</td></tr>
<tr><td>New premises
94 000 – (47 000 × 2% × 9/12) = 94 000 – 705 (1)</td><td>93 295</td><td>(1)</td></tr>
<tr><td>Fixtures and fittings
64 000 – 19 200 – 6400</td><td>38 400</td><td>(1)</td></tr>
<tr><td>Vehicle</td><td>22 000</td><td>(1)</td></tr>
<tr><td>Total</td><td>333 245</td><td></td></tr>
</table>
</td><td>9</td></tr>
</table>

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Question	Answer	Marks
4(e)	$ $ Revalued amount 180 000 **(1)** Net book value on 1 January 95 000 Depreciation for 9 months to 30 September (750) Net book value on 30 September 94 250 **(1)** Revaluation reserve 85 750 **(1)OF**	**3**
4(f)	It has no effect **(1)** as the revaluation is a capital reserve/not distributable **(1)**	**2**
4(g)	IAS 38 **(1)** says development costs should only be capitalised if the directors can demonstrate that the result of the development is an asset which can be sold **(1).** Capitalising development costs would improve profits **(1).** However, capitalisation may not be prudent **(1)** as these costs would normally be written off when incurred. **(1)** Decision **(1)** mark Comments **Max (2) marks**	**3**

Question	Answer	Marks
5(a)	Advantages budgets require co-ordinated planning to take place **(1)** budgets define areas of responsibility / set targets **(1)** budgets should lead to a better use of resources **(1)** budgets can motivate staff **(1)** Disadvantages budgets may be time consuming/expensive to prepare **(1)** the data used in budgets are only estimates and may be inaccurate **(1)** a desire to achieve the budget's targets may lead to a sub optimal use of resources **(1)** budgets may demotivate staff **(1)** **Accept other valid points** **Max 2** for advantages plus **Max 2** for disadvantages	**4**
5(b)(i)	trade receivables budget **(1)**	**1**
5(b)(ii)	master budget/budgeted income statement **(1)**	**1**

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Question	Answer	Marks
5(c)		**[16]**

	March		April		May	
	$		$		$	
Receipts						
Cash sales	29 760	**(1)**	29 280	**(1)**	16 560	**(1)**
TR - one month	35 397	**(1)**	32 984	**(1)**	32 452	**(1)**
TR - two months	34 500	**(1)**	37 260	**(1)**	34 720	**(1)**
Issue of shares	12 000	**(1)**				
Total receipts	111 657		99 524		83 732	
Payments						
Trade payables	55 200		59 616		59 520	**(1)row**
Other costs	30 000		30 000		30 000	**(1)row**
Purchase of asset	36 000		1 000		1 000	**(1)row**
Total payments	121 200		90 616		90 520	
	(9 543)		8 908		(6 788)	
Balance b/f	(8 000)		(17 543)		(8 635)	
Balance c/f	(17 543)	**(1)OF**	(8 635)	**(1) OF**	(15 423)	**(1)OF**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(d)</td><td>Discount received would be an income/increase profit (1)
Paying sooner could improve relations with suppliers (1)
Funds may not be available to pay sooner/company already operates on an overdraft (1)
Increased overdraft would increase interest payable and reduce profit (1)

Decision (1) mark
Max (1) for advantage, max (1) for disadvantage

Accept other valid points.</td><td>3</td></tr>
<tr><td>6(a)</td><td>(i)

<table>
<tr><td>Year</td><td>Change in capital
$</td><td>Change in receipts
$</td><td>Change in repairs
$</td><td>Total change
$</td><td>Discount factor</td><td>Discounted cash flow
$</td><td></td></tr>
<tr><td>0</td><td>41 000 (1)</td><td></td><td></td><td>41 000</td><td>1</td><td>41 000</td><td>}</td></tr>
<tr><td>1</td><td></td><td>(5600) (1)</td><td>(2000) (1)</td><td>(7 600)</td><td>0.909</td><td>(6 908.4)</td><td>}</td></tr>
<tr><td>2</td><td></td><td>(4800) (1)</td><td>(6500) (1)</td><td>(11 300)</td><td>0.826</td><td>(9 333.8)</td><td>}</td></tr>
<tr><td>3</td><td>(28 000) (1)</td><td>(800) (1)</td><td>(6000) (1)</td><td>(34 800)</td><td>0.751</td><td>(26 134.8)</td><td>}(1)OF</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td colspan="2">Difference in NPV</td><td>(1 377)</td><td>(1)OF</td></tr>
</table></td><td>10</td></tr>
<tr><td>6(b)</td><td>(ii) 18 900 – 1377 = $17 523 (1)OF</td><td>1</td></tr>
<tr><td>6(c)</td><td>28 000 (1) – $\frac{1377}{0.751}$ } = $26 166 (1)OF
} (1)OF</td><td>3</td></tr>
<tr><td>6(d)</td><td>Average profit $\frac{(74\,300 - 45\,000)}{3}$ (1) = $9767 (1)OF

ARR = $\frac{9.767}{22\,500}$ (1) $\times 100$ = 43.41% (1)OF</td><td>4</td></tr>
</table>

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Question	Answer	Marks
6(e)	NPV is higher for bus A **(1)** ARR is better for bus B **(1)** But NPV is considered the better method of appraisal **(1)** Initial outlay is lower for bus B **(1)** which leaves funds available for investment elsewhere **(1)** The lower outlay reduces risk **(1)** and implies that bus B would payback sooner **(1)** Decision **(1)** **Max 5** for comments **Accept other valid points**	**6**
6(f)	Either payback or IRR **(1)**	**1**

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