Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/33**

Paper 3 Structured Questions **October/November 2022**

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 2022 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

© UCLES 2022

[Turn over

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 2022

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 2022

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 2022

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 2022

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
N0	No working shown
AE	Attempts evaluation
R1	Required item 1
R2	Required item 2
OF	Own figure
EVAL	Evaluation
NAQ	Not answered question
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
Highlight	Highlight
Off page Comment	Off page comment

© UCLES 2022

Question	Answer	Marks
1(a)(i)	GHY Club Income and expenditure account for the year ended 31 December 2021 $ $ Subscriptions **W1** 9 400 **(4)** Profit **(1)** from sales of refreshments **W2** 425 **(4)** 9 825 Rent 6 000 Other operating costs 1 440 Irrecoverable debts 150 **(1)** Depreciation (7600+2600) – 9100 1 100 **(1)** 8690 Surplus 1135 **(1)OF** **W1** 9 200 + (400 – 300) **(1)** +150 **(1)** +(200 – 250) **(1)** = 9 400 **(1)OF** **W2** 810 + (95 -60) **(1)** + (80 – 170) **(1)** = 755 1 180 **(1)** – 755 = 425 **(1)OF**	**12**

Question	Answer	Marks
1(a)(ii)	Statement of financial position at 31 December 2021 $ $ Non-current assets Fixtures at valuation 9 100 Current assets Inventory 170 **(1)** Subscriptions in arrears 200 **(1)** 370 Total assets 9 470 Accumulated fund at 1 January 2021 7 940 Surplus for the year 1 135 **(1)OF** Accumulated fund at 31 December 2021 9 075 **(1)OF** Current liabilities Owing to suppliers 95 **(1)** Subscriptions in advance 250 **(1)** Bank overdraft 50 **(1)** 395 Total fund and liabilities 9 470	**7**
1(b)	Funds should be received earlier. **(1)** Irrecoverable debts should be avoided. **(1)** Some members would have paid later and their subscriptions would be lost. **(1)** **Accept other valid points** Decision **(1)** Max. **(2)** for comments	**3**
1(c)	Life membership receipts are credited to a life membership fund **(1)** and released to the income and expenditure account over a number of years **(1)** Accruals concept **(1)**	**3**

© UCLES 2022

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>When it is probable that future economic benefits will flow from the asset to the company (1)
When the cost of the asset can be reliably measured (1).</td><td>2</td></tr>
<tr><td>2(b)(i)</td><td>
<table>
<tr><td></td><td>Earnings per share</td></tr>
<tr><td>AB plc</td><td>$\frac{200\,000 - 80\,000\,(\mathbf{1})}{400\,000\,(\mathbf{1})} = 30$ cents or \$0.30 (1)OF</td></tr>
<tr><td>CD plc</td><td>$\frac{200\,000 - 30\,000\,(\mathbf{1}) - 2\,500\,(\mathbf{1})}{800\,000\,(\mathbf{1})}$ = 21 cents or \$0.21 (1)OF</td></tr>
<tr><td>EF plc</td><td>$\frac{200\,000 - 4\,000\,(\mathbf{1})}{500\,000\,(\mathbf{1})}$ = 39 cents or \$0.39 (1)OF</td></tr>
</table>
</td><td>10</td></tr>
<tr><td>2(b)(ii)</td><td>
<table>
<tr><td></td><td>Price earnings ratio</td></tr>
<tr><td>AB plc</td><td>$\frac{1.20}{0.30} = 4.00$ (1)OF</td></tr>
<tr><td>CD plc</td><td>$\frac{1.08}{0.21} = 5.14$ (1)OF</td></tr>
<tr><td>EF plc</td><td>$\frac{2.35}{0.39} = 6.03$ (1)OF</td></tr>
</table>
</td><td>3</td></tr>
<tr><td>2(c)</td><td>any two ratios for (1) each, e.g. dividend yield, dividend cover, dividend per share, return on capital employed.</td><td>2</td></tr>
</table>

© UCLES 2022

Question	Answer	Marks
2(d)	AB has the lowest profit for the year while EF has the highest **(1)**. CD has the lowest earnings per share, largely because the share capital is denominated in shares with a smaller par value **(1)**. AB has the lowest price earnings ratio meaning that investors have the least confidence in the future performance of the company **(1)**. Accept other valid points Decision **(1)** Max **(3)** for comments	**4**
2(e)	This might earn the company a reputation for being a forward thinking/responsible/admirable business **(1)**. This might encourage customers to develop a brand preference for AB plc **(1)**. This could increase future profits and/or dividends **(1)**. A good reputation might cause the market value of the shares to rise meaning that investors make a capital gain **(1)**. Accept other valid points Max **(2)**	**2**
2(f)	Review of the year's performance **(1)** Anticipated future progress of the business **(1)** Events after the date of the statement of financial position with a material effect on the business **(1)** Names of the directors with their responsibilities and interest in the company **(1)** Dividends **(1)** Donations made by the company **(1)** Policy on the employment of disabled people **(1)** Employee representation **(1)** Accept other valid points Max **(2)**	**2**

© UCLES 2022

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Doreen could start selling Alan’s products saving on invoicing (1).
Staff requirements may be reduced (1).
Economies of scale (1).
Savings in office costs (1)
Accept other valid points
Max (2)</td><td>2</td></tr>
<tr><td>3(b)</td><td>Alan and Doreen
Forecast income statement for the year ending 30 June 2023

<table>
<tr><td></td><td>$</td><td>$</td><td></td></tr>
<tr><td>Revenue (76 900 + 112 000)</td><td></td><td>188 900</td><td>(1)</td></tr>
<tr><td>Inventory of finished goods at 1 July 2022</td><td>13 480</td><td></td><td>*</td></tr>
<tr><td>Purchases</td><td>58 600</td><td></td><td>(1)</td></tr>
<tr><td>Cost of production</td><td>31 110</td><td></td><td>(1)</td></tr>
<tr><td></td><td>103 190</td><td></td><td></td></tr>
<tr><td>Inventory of finished goods at 30 June 2023</td><td>13 290</td><td></td><td>(1)* both</td></tr>
<tr><td>Cost of sales</td><td></td><td>89 900</td><td></td></tr>
<tr><td>Gross profit</td><td></td><td>99 000</td><td></td></tr>
<tr><td>Administrative expenses W1</td><td></td><td>35 840</td><td>(2)</td></tr>
<tr><td>Distribution costs (11 200 + 18 600 – 1 680)</td><td></td><td>28 120</td><td>(1)</td></tr>
<tr><td>Profit from operations</td><td></td><td>35 040</td><td></td></tr>
<tr><td>Finance costs (1 510 – 640)</td><td></td><td>870</td><td>(1)</td></tr>
<tr><td>Profit for the year</td><td></td><td>34 170</td><td></td></tr>
</table>

W1 (20 950 × 0.8) + (21 200 × 0.9) = 16 760 (1) + 19 080 (1) = 35 840</td><td>8</td></tr>
</table>

Question	Answer	Marks
3(c)		**10**

Capital accounts

	Alan $	Doreen $		Alan $	Doreen $	
Goodwill	32 000 **(1)**	48 000 **(1)**	Opening balance	142 600	245 230	**W1**
Drawings	19 800	17 200 **(1)**	Profit	13 668	20 502	**(1)OF**
Bal c/d	104 468	200 532				
	156 268	265 732		156 268	265 732	

W1 EITHER

	Alan $	Doreen $
Original capital	89 200 **(1)**	126 230 **(1)**
Revaluation	23 400 **(1)**	69 000 **(1)**
Goodwill	30 000 **(1)**	50 000 **(1)**
Revised capital	142 600	245 230

OR

	Alan $	Doreen $
Non-current assets	122 000 **(1)**	192 000 **(1)**
Other assets less liabilities	(9 400) **(1)**	3 230 **(1)**
Goodwill	30 000 **(1)**	50 000 **(1)**
Revised capital	142 600	245 230

© UCLES 2022

Question	Answer	Marks
3(d)	The capital accounts identify partners' permanent investment **(1)**. The current accounts show up when a partner's drawings exceed the profit share **(1)**. The capital accounts enable interest on capital to be calculated easily **(1)**. They separate revaluation gains from trading profits **(1)**. Accept other valid points Max **(2)**	**2**
3(e)	Cost savings mean that both partners have an increase in profit **(1)OF**. Doreen is now a partner in a business with a stronger capital base **(1)**. Doreen has a partner to provide new ideas and possibly help with the workload **(1)**. Alan is taking out more in drawings than his share of profit which may cause problems in the longer run **(1)**. Doreen is no longer in sole charge and disagreements may arise **(1)**. Accept other valid points Decision **(1)**. Max **(2)** for comments	**3**

Question	Answer	Marks
4(a)	It may be a regulatory requirement **(1)** Prepared on a cash basis **(1)** Shows movement of cash **(1)** Reconciles profit with cash movement **(1)** **Max (3)** Accept other valid answers.	**3**

Question	Answer	Marks
4(b)	XE plc Statement of cash flows for the year ended 31 December 2021 $ $ Profit from operations (66.5 + 11.2) 77 700 **(1)** Depreciation – motor vehicle 20 800 **(1)** - fittings 7 100 **(1)** Loss on disposal **W1** 1 100 **(2)** Increase in inventory (9 900) **(1)** Increase in trade receivables **W2** (7 900) **(3)** Decrease in trade payables **W3** (3 000) **(3)** Cash from operations 85 900 Interest paid (8 600) **(1)** Net cash from operating activities 77 300 **(1)OF** Cash flow from investing activities Purchase of fittings (3 700) **(1)** Proceeds of sale of motor vehicle 17 600 **(1)** Net cash used in investing activities 13 900 **(1)OF** Cash flow from financing activities Loan repayment (32 000) **(1)** Dividends paid (24 000) **(1)** Net cash from financing activities (56 000) **(1)OF** Net increase in cash and cash equivalents 35 200 **(1)OF** Cash and cash equivalents on 31 December 2020 (22 600) Cash and cash equivalents on 31 December 2021 12 600 **(1)** **W1** depreciation on disposal = 53 200 + 20 800 – 66 800 = 7 200 **(1)** loss on disposal = 25 900 – 17 600 – 7 200 = 1 100 **(1of)** **W2** (710 400 – 5 000) **(1)** – (701 600 – 4 100) **(1)** = 7 900 **(1of)** **W3** 426 800**(1)** – (431 700 – 1 900 **(1)** = (3 000) **(1of)**	**22**

Question	Answer	Marks
5(a)	Sales volume 105 × (12 500 – 10 000) = 262 500 F **(2)** Material price 26 250 × (12 – 11.9) = 2 625 F **(2)** Material usage 12 × (25 000 – 26 250) = 15 000 A **(2)** Labour rate 40 000 × (11 – 10.6) = 16 000 F **(2)** Labour efficiency 11 × (37 500 – 40 000) = 27 500 A **(2)** *** one mark for amount and one mark for direction**	**10**
5(b)	Material price This has improved/gone from adverse to favourable **(1)**. As the business became more established it could negotiate a better deal **(1)**. With the increase in production discounts were available for bulk purchases **(1)**. Material usage This has improved but is still adverse **(1)**. Staff are new and inexperienced which leads to wastage, but their skills are improving **(1)**. Labour rate This has become less favourable **(1)**. Staff have become unionized and now demand higher wages/higher skilled staff **(1)**. Labour efficiency This is much improved but still adverse **(1)**. As they become more used to the job staff are able to work faster, and then can be expected to improve further **(1)**. Per variance – **(1)** mark for change and max **(1)** for comments Accept other valid points for comments	**8**
5(c)	It would be time consuming **(1)**. It might only inform Tommy about changes over which he had no control **(1)**. It would enable him to reconcile total actual cost with total standard cost/total actual profit with total standard profit **(1)**. The fixed overhead expenditure variance would show if there had been any cost savings **(1)**. The fixed overhead volume variance would show if fixed overheads had been under or over absorbed because of changes in output **(1)**. Decision **(1)** and comments max **(4)** Accept other valid points	**5**
5(d)	Quoting prices for orders **(1)** Setting budgets **(1)** Accept other valid points	**2**

© UCLES 2022

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>6(a)</td><td>Cost driver (1)</td><td>1</td></tr>
<tr><td>6(b)</td><td>
<table>
<tr><td></td><td>Product A
$</td><td></td><td>Product B
$</td><td></td></tr>
<tr><td>Sales value</td><td>108 000</td><td></td><td>105 000</td><td>(1) both</td></tr>
<tr><td>Direct material</td><td>(30 000)</td><td></td><td>(36 000)</td><td>(1) both</td></tr>
<tr><td>Direct labour</td><td>(50 000)</td><td></td><td>(24 000)</td><td>(1) both</td></tr>
<tr><td>Machine set-ups</td><td>(9 000)</td><td>(1)</td><td>(12 000)</td><td>(1)</td></tr>
<tr><td>Quality inspections</td><td>(5 000)</td><td>(1)</td><td>(10 000)</td><td>(1)</td></tr>
<tr><td>Administration and distribution</td><td>(11 502)</td><td>(1)</td><td>(17 253)</td><td>(1)</td></tr>
<tr><td>Profit</td><td>2 498</td><td>(1)OF</td><td>5 747</td><td>(1)OF</td></tr>
</table>
</td><td>11</td></tr>
<tr><td>6(c)</td><td>
<table>
<tr><td></td><td>Product A
$</td><td></td><td>Product B
$</td><td></td></tr>
<tr><td>Profit from (b)</td><td>2 498</td><td></td><td>5 747</td><td>(1OF) both</td></tr>
<tr><td>Add back</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Administration and distribution</td><td>11 502</td><td></td><td>17 253</td><td>(1OF) both</td></tr>
<tr><td>Less</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Administration and distribution</td><td>(14 580)</td><td>(1)</td><td>(14 175)</td><td>(1)</td></tr>
<tr><td>Revised profit/(loss)</td><td>(580)</td><td>(1)OF</td><td>8 825</td><td>(1)OF</td></tr>
</table>
</td><td>6</td></tr>
</table>

© UCLES 2022

Question	Answer	Marks
6(d)	Any two reasonable answers for **(1)** each, e.g. Number of orders processed and shipped for each product. Number of staff employed for each product.	**2**
6(e)	It would ensure the profitability of the business **(1)** as it would not be possible for a product to make a loss as appears in part (c) **(1)** and would ensure consistency across products **(1)**. It would be impossible to apply when there is still disagreement as to how to apportion costs **(1)** and as the basis of apportionment may be subjective **(1)** any loss which the directors seek to eliminate may not be realistic **(1)**. Additional analysis may first be needed to establish the most suitable cost drivers **(1)**. Since the business is able to sell all its production at present, it may be better not to increase the existing selling prices **(1)** as demand may fall **(1)**. It would be useful to consider what competitors are charging for their products **(1)**. How would the directors decide on a rate? **(1)** Decision **(1)** and comments max **(4)** Accept other valid points	**5**

© UCLES 2022