Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/33**

Paper 3 Financial Accounting **October/November 2023**

MARK SCHEME

Maximum Mark: 75

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 2023 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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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

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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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>

Complete the following table by calculating the required values for each category of property, plant and equipment at 30 June 2022. Use the space provided to show your workings.

<table>
<tr><th></th><th>Cost
$</th><th>Accumulated depreciation
$</th><th>Carrying value
$</th></tr>
<tr><td>Premises</td><td>480 000 (1)</td><td>W1 72 000 (1)</td><td>408 000</td></tr>
<tr><td>Machinery</td><td>W2 240 000 (2)</td><td>W3 204 000 (1)</td><td>W4 36 000 (1)OF</td></tr>
<tr><td>Motor vehicles</td><td>250 000 (1)</td><td>W6 74 000 (1)OF</td><td>W5 176 000 (1)OF</td></tr>
<tr><td>Total</td><td></td><td></td><td>620 000</td></tr>
</table>

W1 (480 000 × 0.5) × 0.02 × 15 = 72 000 **(1)**
W2 [12 000/(1 – 0.8) + 24 000/(1 – 0.6)] **(1)** × 2 **(1)** = 240 000
W3 240 000 – 36 000 = 204 000 **(1)OF OR** (240 000/2) + [(240 000/4 – 12 000) + (240 000/4 – 24 000)] = 204 000 **(1)OF**
W4 12 000 + 24 000 = 36 000 **(1)**
W5 620 000 – 408 000 – 36 000 = 176 000 **(1)OF**
W6 250 000 – 176 000 = 74 000 **(1)OF**

</td><td>9</td></tr>
</table>

Question	Answer	Marks
1(b)	**Prepare the schedule of non-current assets to use as a note to the financial statements for the year ended 30 June 2023.**	**14**

K plc
Schedule of non-current assets at 30 June 2023
Property, plant and equipment

	Land and buildings $	Machinery $	Motor vehicles $	Total $	
Cost					
At 1 July 2022	480 000	240 000	250 000	970 000	**(1)OF row**
Acquisitions		180 000		180 000	
Disposals		(120 000) **(1)**	(80 000)	(200 000)	
Revaluation	310 000 **(1)**			310 000	
At 30 June 2023	790 000	300 000	170 000	1 260 000	**(1)OF row**
Depreciation					
At 1 July 2022	72 000	204 000	74 000	350 000	**(1)OF row**
Charge for the year	8 000 **(1)**	30 000 **(1)**	24 960 **(1)OF**	62 960	
Disposals		(120 000) **(1)OF**	(28 800) **(1)**	(148 800)	
Revaluation	(72 000) **(1)OF**			(72 000)	
At 30 June 2023	8 000	114 000	70 160	192 160	**(1)OF row**
Carrying value at 30 June 2023	782 000	186 000	99 840	1 067 840	**(1)OF row**
Carrying value at 1 July 2022	408 000	36 000	176 000	620 000	**(1)OF row**

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Question	Answer	Marks
1(c)(i)	**State <u>one</u> implication of this for <u>each</u> of:** **the directors** The directors should consider replacing the computer system with one which provides automatic back up **(1).** Staff training should be improved **(1)** The directors will be personally liable as they will sign the financial statements if the figures are not correct. **(1)** **Accept other valid responses** **Max 1**	**1**
1(c)(ii)	**State <u>one</u> implication of this for <u>each</u> of:** **the auditors.** The auditors might need to undertake extra investigations to ensure that the financial statements give a true and fair view **(1).** The auditors might advise the directors to improve the accounting system **(1).** The auditors will struggle to verify the figures stated in financial statements as no records are available hence can give a qualified report. (**1)** **Accept other valid responses** **Max 1**	**1**

Question	Answer	Marks
2(a)(i)	**Calculate:** **the profit from the sale of refreshments for the year ended 31 December 2022** Purchases = (3 720 + 19 600) **(1)** + (840 – 620) **(1)** = $23 540 Cost of sales = 23 540 +1 150 – 1 820 = $22 870 **(1)OF** Profit = 34 800 – 22 870 = $11 930 **(1)OF**	**4**

Question	Answer	Marks
2(a)(ii)	**Calculate:** **the value of life membership fees to be included in the income and expenditure account for the year ended 31 December 2022.** 11 × (1000/10) = $1100 **(1)**	**1**
2(b)	**Prepare the subscriptions account for the year ended 31 December 2022.** Subscriptions account Balance b/d $360; Income and expenditure $12 120 **(1)OF** Balance b/d $240 **(1) both**; Bank $10 320 **}**; Cash $1 440 **}(1)**; Irrecoverable debt $120 **(1)**; Balance c/d $480 **(1) both**; $12 600	**5**
2(c)(i)	**Discuss the effect the following suggestions might have on the bank overdraft and the deficit.** **Reducing the level of inventory held** Bank overdraft The overdraft would reduce **(1)** because less cash is tied up in inventory **(1)** **Max 2** Deficit There is no effect on the deficit **(1)** because reducing inventory would not directly affect cost of sales as purchases would reduce by the same amount **(1).** OR deficit may reduce **(1)** if fewer perishable items have to be thrown away **(1).** **Max 2** **Accept other valid responses**	**4**

Question	Answer	Marks
2(c)(ii)	**Discuss the effect the following suggestions might have on the bank overdraft and the deficit.** **Encouraging more members to become life members** Bank overdraft The overdraft would reduce in the short term **(1)** as there would be an increased receipt of $880 per life member in the first year **(1)** **Max 2** Deficit The deficit would increase **(1)** because the income recorded would be $100 per member which is less than the annual subscription **(1)** **Max 2** **Accept other valid responses**	**4**
2(d)	**Suggest <u>two</u> other ways in which the financial performance of the club could be improved.** Any two reasonable answers, such as Recruit new members **(1)** Increase annual subscriptions **(1)** Increase selling prices for refreshments **(1)** Ask for volunteers to take over the cleaning **(1)** Seek donations **(1)** Organise fund raising **(1)** Negotiate a rent reduction **(1)** **Max 2** **Accept other valid responses**	**2**

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Question	Answer	Marks
2(e)	**Advise the managing committee whether or not the financial statements should be audited. Justify your answer.** Against **[max 2]** A club is not a company so an audit is not a legal requirement in most countries**(1).** It could involve a cost which the club cannot afford **(1).** For **[max 2]** The members would be more confident that their funds are being used correctly **(1).** Sabrina would be assured that no suspicion was falling on her **(1).** The bank manager might be happier to continue providing the overdraft facility **(1).** To verify the opening balances **(1)** **Decision supported by a comment (1)** **Accept other valid responses**	**5**

Question	Answer	Marks
3(a)(i)	**Explain:** **what is measured by the working capital cycle. The formula is not required.** The time it takes a business to turn the net current assets into cash **(1)** and measures the solvency of a business **(1).**	**2**
3(a)(ii)	**Explain:** **why a retail business is likely to have a shorter working capital cycle than a manufacturing business.** In a manufacturing business the cycle will start with the purchase of raw materials **(1)** and in the retail context no production time is needed before goods are ready to be sold **(1).** **Accept other valid responses.**	**2**

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Question	Answer	Marks
3(b)	**Calculate the working capital cycle for HT Limited using the forecast information. Assume a year of 365 days.** Inventory turnover 17 185 **(1)** / 156 814 **(1)** × 365 = 40 days **(1)OF** Trade receivables turnover 24 164/210 000 **(1 both)** × 365 = 42 days **(1)OF** Trade payables turnover 19 408/161 000 **(1 both)** × 365 = 44 days **(1)OF** Working capital cycle 40 + 42 – 44 = 38 days **(1)OF**	**8**
3(c)	**Calculate to <u>one</u> decimal place the net working assets to revenue ratio using the forecast information. Use the closing inventory value.** 24 034 **(1)** / 210 000 × 100 = 11.4% **(1)OF**	**2**
3(d)	**Calculate the <u>reduction</u> in the value of trade receivables on 31 December 2024 which would cause the working capital cycle to fall by eight days.** 42 – 8 = 34 days **(1)OF** 34 ÷ 365 × 210 000 **(1 last two elements)** = 19 562 **(1)OF** Reduction = 24 164 – 19 562 = $4 602 **(1)OF**	**4**
3(e)	**Explain how this reduction would affect the net working assets to revenue (sales) ratio. No calculations are required.** The ratio would become lower **(1)** because the net working assets of the business would be reduced **(1)**.	**2**
3(f)	**Advise the directors whether or not they should try to reduce these ratios each year. Justify your answer.** A fall in the ratios indicates an increase in efficiency **(1)** but an increase in risk **(1).** The shorter the working capital cycle, the less time in which resources are tied up without earning a return **(1).** And if the same amount of working capital can generate more sales then it is being used more efficiently **(1).** A reduction in inventory would decrease the ratios but increase the chances of sales being lost when goods are not available for sale **(1).** A reduction in trade receivables could reduce the cash inflows leaving a business with insufficient cash to pay debts as they fall due **(1).** An increase in trade payables could damage relationships with suppliers **(1).** **Decision supported by a comment (1)** **Accept other valid responses**	**5**

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