CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/21**

Paper 2 Fundamentals of Accounting **October/November 2024**

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 2024 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 descriptions 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.

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).

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.

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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
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure
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>

Prepare the statement of profit or loss for the year ended 30 June 2024.

T Limited
Statement of profit or loss for the year ended 30 June 2024

<table>
<tr><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Revenue</td><td>W1</td><td>693 100</td><td>(1)</td></tr>
<tr><td>Cost of sales</td><td>W2</td><td>(292 000)</td><td>(3)OF</td></tr>
<tr><td>Gross profit</td><td></td><td>401 100</td><td></td></tr>
<tr><td>Distribution costs</td><td>W3</td><td>(125 152)</td><td>(4)OF</td></tr>
<tr><td>Administrative expenses</td><td>W4</td><td>(136 054)</td><td>(5)OF</td></tr>
<tr><td>Profit from operations</td><td></td><td>139 894</td><td></td></tr>
<tr><td>Finance costs</td><td>W5</td><td>(6 260)</td><td>(1)</td></tr>
<tr><td>Profit before Taxation</td><td></td><td>133 634</td><td></td></tr>
<tr><td>Taxation</td><td></td><td>(26 000)</td><td></td></tr>
<tr><td>Profit for the year</td><td></td><td>107 634</td><td>(1)OF</td></tr>
</table>

<table>
<tr><td>W1 – Revenue</td><td>$705 100 – $12 000 = $693 100 (1)</td></tr>
<tr><td>W2 – Cost of sales</td><td>$93 400 + 293 780 + $820 (1) – ($86 400 + $9 600) (1) = $292 000 (1)OF</td></tr>
<tr><td>W3 – Distribution costs</td><td>$114 870 – $1 300 (1) + $2 100 (1) + $9 482 (1)
= $125 152 (1)OF</td></tr>
<tr><td>W4 – Administrative expenses</td><td>$131 310 + $2 860 (1) + $680 (1) + $664 (1) + $540 (1)
= $136 054 (1)OF</td></tr>
<tr><td>W5 – Finance costs</td><td>$5 180 + $1 080 = $6 260 (1)</td></tr>
</table>

</td><td>15</td></tr>
<tr><td>1(b)</td><td>

Calculate the balance of cash and cash equivalents at 30 June 2024.

($240 – $12 380) **(1)** + $45 000 **(1)** – $28 080 **(1)** = $4 780 **(1)OF**

</td><td>4</td></tr>
</table>

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

Prepare an extract from the statement of financial position at 30 June 2024 to show the <u>equity and liabilities section only</u>.

T Limited
Statement of financial position at 30 June 2024

	$	
Equity		
Share capital	80 000	
Retained earnings **W1**	146 084	**(1) OF**
Total equity	226 084	
Liabilities		
Non-current liabilities		
5% Debentures (2028-2029)	45 000	**(1)**
Current liabilities		
Trade and other payables **W2**	32 840	**(1)**
Taxation	26 000	
8% bank loan (2024)	27 000	**(1)**
Total liabilities	130 840	**(1) OF**
Total equity and liabilities	356 924	**(1) OF**

W1: $38 450 + 107 634 = 146 084 **(1) OF**
W2: $**32** 160 + 680 **=** 32 840 **(1)**

</td><td>**6**</td></tr>
</table>

Question	Answer	Marks
1(d)	**Assess the directors' decision on 30 June 2024 to take out the 5% debenture (2028-2029). Justify your assessment by considering <u>both</u> advantages and disadvantages of the decision to the company.** **Advantages (Max 2 marks)** • Removed the negative cash balance **(1)** • Repaid one half of the 8% bank loan that was due for repayment with the next six months **(1)** • Beneficial interest rate compared to the bank loan **(1)** **Disadvantages (Max 2 marks)** • Tied the company into a further five years of debt **(1)** • Weakened the immediate capital structure of the company **(1)** • May cause longer-term cash flow problems to meet repayment terms **(1)** • Security is required **(1)** **Decision supported with a comment (1)** **Accept other valid responses**	**5**

Question	Answer	Marks
2(a)	**Prepare journal entries to correct each error. Narratives are <u>not</u> required.**	**9**

Journal

	Debit. $	Credit $	
Sales ledger control account	610		**(1)**
Bank		610	**(1)**
Sales returns	240		**(1)**
Purchases		240	**(1)**
Suspense	300		**(1)**
Sales returns		150	**(1)**
Purchases returns		150	**(1)**
Suspense	987		**(1)**
Purchases ledger control account		987	**(1)**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Prepare the suspense account at 30 September 2024 clearly showing the opening balance brought down. Dates are <u>not</u> required.

Suspense account
<table><tr><th>Details</th><th>$</th><th>Details</th><th>$</th></tr><tr><td>Sales returns</td><td>150 (1)</td><td>Balance b/d</td><td>1 287 (1)OF</td></tr><tr><td>Purchases returns</td><td>150 (1)</td><td></td><td></td></tr><tr><td>Purchases ledger contro account</td><td>987 (1)</td><td></td><td></td></tr><tr><td></td><td>1 287</td><td></td><td>1 287</td></tr></table></td><td>4</td></tr>
<tr><td>2(c)(i)</td><td>Calculate the revised balances of the:

Purchases ledger control account

$8 640 + $987 = $9 627 (1)</td><td>1</td></tr>
<tr><td>2(c)(ii)</td><td>Calculate the revised balances of the:

Sales ledger control account

$12 420 + $610 = $13 030 (1)</td><td>1</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Prepare <u>each</u> account for the year ended 30 June 2024.

Motor vehicles at cost account

<table>
<tr><th>Date</th><th>Details</th><th>$</th><th>Date</th><th>Details</th><th>$</th></tr>
<tr><td>2023
1 July</td><td>Balance b/d</td><td>24 000
(1)</td><td>2023
30 Sept</td><td>Disposal</td><td>24 000
(1)</td></tr>
<tr><td>2023
30 Sept</td><td>Disposal</td><td>14 800
(1)</td><td>2024
30 June</td><td>Balance c/d</td><td>70 000</td></tr>
<tr><td></td><td>Loan account</td><td>55 200
(1)</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>94 000</td><td></td><td></td><td>94 000</td></tr>
<tr><td>2024
1 July</td><td>Balance b/d</td><td>70 000
(1)OF</td><td></td><td></td><td></td></tr>
</table>
Motor vehicles provision for depreciation account

<table>
<tr><th>Date</th><th>Details</th><th>$</th><th>Date</th><th>Details</th><th>$</th></tr>
<tr><td>2023
30 Sept</td><td>Disposal</td><td>7 500
(1)</td><td>2023
1 July</td><td>Balance b/d</td><td>6 000</td></tr>
<tr><td>2024
30 June</td><td>Balance c/d</td><td>10 125</td><td>2024
30 June</td><td>Statement of profit or loss</td><td>11 625
(1)</td></tr>
<tr><td></td><td></td><td>17 625</td><td></td><td></td><td>17 625</td></tr>
<tr><td></td><td></td><td>70 000</td><td>2024
1 July</td><td>Balance b/d</td><td>10 125
(1)OF</td></tr>
</table></td><td>8</td></tr>
<tr><td>3(b)(i)</td><td>Calculate the outstanding balance on the interest-free loan at 30 June 2024.

$55 200 – (9 × 2 300) = $34 500 (1)</td><td>1</td></tr>
<tr><td>3(b)(ii)</td><td>State how the interest-free loan will be shown in the statement of financial position at 30 June 2024.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Non-current liabilities</td><td>6 900</td><td rowspan="2">(1)</td></tr>
<tr><td>Current liabilities</td><td>27 600</td></tr>
</table></td><td>1</td></tr>
</table>

Question	Answer	Marks
3(c)	**Advise Clarissa whether or not she should change her method of charging depreciation. Justify your advice by discussing <u>both</u> methods.** **Straight line method (Max 2)** • Easier to calculate **(1)** • Difficult to accurately predict estimated useful life **(1)** • Difficult to predict residual value **(1)** **Reducing balance method (Max 2)** • More realistic (**1)** • Recognises vehicle loses more value in the early years **(1)** • Recognises increased maintenance costs as vehicle ages **(1)** • Results in more realistic profit calculations **(1)** **Advice supported with a comment (1)** **Accept other valid responses.**	**5**

Question	Answer	Marks
4(a)(i)	**Define each term:** **cost centre** A cost centre is a production location where costs may be attributed to cost units **(1)** **Accept other valid responses**	**1**
4(a)(ii)	**Define each term:** **cost unit** A cost unit is a unit of production that absorbs the cost centre's overhead costs. **(1)** **Accept other valid responses**	**1**
4(a)(iii)	**Define each term:** **direct cost** A direct cost is one that can be specifically associated with the manufacture of one unit of production. **(1)** **Accept other valid responses**	**1**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)(iv)</td><td>Define each term:
indirect cost

An indirect cost is one that cannot economically be specifically associated with the manufacture of one unit of production. (1)

Accept other valid responses</td><td>1</td></tr>
<tr><td>4(b)</td><td>Complete the table to apportion costs to the production departments.

<table>
<tr><td></td><td>Total
$</td><td colspan="2">Production departments</td><td colspan="2">Service departments</td></tr>
<tr><td></td><td></td><td>Machining</td><td>Finishing</td><td>Stores</td><td>Canteen</td></tr>
<tr><td>Allocated overheads</td><td>512 100</td><td>195 200</td><td>234 700</td><td>66 400</td><td>15 800</td></tr>
<tr><td>Light and heat</td><td>12 800</td><td>3 840</td><td>6 400</td><td>1 920</td><td>640
(1) for row</td></tr>
<tr><td>Production supervisors’ wages</td><td>42 000</td><td>15 750</td><td>26 250</td><td>–</td><td>–
(1) for row</td></tr>
<tr><td>Total overheads</td><td>566 900</td><td>214 790</td><td>267 350</td><td>68 320</td><td>16 440</td></tr>
<tr><td>Reapportion Canteen</td><td></td><td>4 932</td><td>8 220</td><td>3 288</td><td>(16 440)
(1) for row</td></tr>
<tr><td></td><td></td><td>219 722</td><td>275 570</td><td>71 608</td><td>–</td></tr>
<tr><td>Reapportion Stores</td><td></td><td>28 643</td><td>42 965</td><td>(71 608)</td><td>–
(1) for row</td></tr>
<tr><td></td><td></td><td>248 365
(1) OF</td><td>318 535
(1) OF</td><td>–</td><td>–</td></tr>
</table>
</td><td>6</td></tr>
<tr><td>4(c)</td><td>Calculate, to <u>two</u> decimal places, a suitable overhead absorption rate for each production department.

Machining department

$248 366 / 28 900 = $8.59 per machine hour (1) OF

Finishing department

$318 534 / 18 500 = $17.22 per labour hour (1) OF</td><td>2</td></tr>
</table>

Question	Answer	Marks
4(d)	**Calculate the over-absorption or under-absorption of overheads for <u>each</u> production department.** Machining department $8.59 × 26 880 = $230 899 – $249 200 = $18 301 **(1) OF** under absorbed **(1) OF** Finishing department $17.22 × 18 650 = $321 153 – $320 400 = $753 **(1) OF** over absorbed **(1) OF**	**4**
4(e)(i)	**Calculate the budgeted hourly direct labour rate for <u>each</u> department.** Machining department $127 270 / 14 300 hours = $8.90 **(1)** Finishing department $183 150 / 18 500 hours = $9.90 **(1)**	**2**

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Question	Answer	Marks
4(e)(ii)	**Prepare a statement to show the <u>total</u> selling price that Alberto should quote the customer.**	**7**

		$	
Direct material	4 metres × 3.85	15.40	**(1)**
Direct labour Machining department	0.75 × $8.90	6.68	**(1) OF**
Finishing department	1.5 × $9.90	14.85	**(1) OF**
Overheads Machining department	0.5 × $8.59	4.30	**(1) OF**
Finishing department	1 × $17.22	17.22	**(1) OF**
Total cost		58.45	**(1) OF**
Profit margin		38.97	
Unit cost		97.42	
Units		12	
Quotation		1 169.04	**(1) OF**

Alternative answer

		$	
Direct material	4 mtrs × 3.85 × 12	184.80	**(1)**
Direct labour Machining department	0.75 × $8.90 × 12	80.16	**(1) OF**
Finishing department	1.5 × $9.90 × 12	178.20	**(1) OF**
Overheads Machining department	0.5 × $8.59 × 12	51.60	**(1) OF**
Finishing department	1 × $17.22 × 12	206.64	**(1) OF**
Total cost		701.40	**(1) OF**
Profit margin		467.60	
Quotation		1 169.00	**(1) OF**

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Question	Answer	Marks
4(f)	**Advise Alberto whether or not he should accept the proposed terms offered by the customer. Justify your advice by discussing <u>both</u> financial and non-financial matters.** **Financial** • Will still make a profit on the work **(1)** • Will achieve 25% margin on the work so fails to achieve target margin of 40% **(1)** • Will result in an under absorption of fixed overheads incurred **(1)** **Non-financial** • Will increase capacity of the factory **(1)** • May have negative effect on existing customers if they find out **(1)** • May have a positive effect on employees to have less down-time **(1)** **Advice supported with a comment (1)** **Accept other valid responses**	**5**

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