CAMBRIDGE
International Education

# Cambridge International AS & A Level

**ACCOUNTING** **9706/23**

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>Calculate the corrected carrying value of Property at 30 June 2024.<br><br>$56 400 (2)<br><br>Workings<br>$60 000 – $3 600 (1) = $56 400 (1) OF</td><td>2</td></tr>
<tr><td>1(b)</td><td>Calculate the revised profit for the year ended 30 June 2024.<br><br>$97 410 (7)<br><br>Workings<br><br>
<table>
<tr><th></th><th>$</th><th></th></tr>
<tr><td>Draft profit</td><td>83 250</td><td>(1)</td></tr>
<tr><td>Closing inventory</td><td>2 000</td><td>(1)</td></tr>
<tr><td>Interim dividend</td><td>2 100</td><td>(1)</td></tr>
<tr><td>Distribution costs</td><td>2 500</td><td>(1)</td></tr>
<tr><td>Property depreciation</td><td>4 560</td><td>(1)</td></tr>
<tr><td>Taxation</td><td>3 000</td><td>(1)</td></tr>
<tr><td>Revised profit for the year</td><td>97 410</td><td>(1)OF</td></tr>
</table>
</td><td>7</td></tr>
</table>

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| Question | Answer | Marks |
|---|---|---|
| 1(c) | **Prepare the statement of financial position at 30 June 2024.** | **10** |

J plc
Statement of financial position at 30 June 2024

| | $ | |
|---|---|---|
| **Assets** | | |
| Non-current assets | | |
| Property, plant and equipment | 126 460 | **(1)** |
| | 126 460 | |
| Current assets | | |
| Inventory | 85 900 | **(1)** |
| Trade and other receivables | 39 250 | **(1)** |
| | 125 150 | |
| Total assets | 251 610 | **(1) OF** |
| | | |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 70 000 | |
| Share premium | 4 280 | |
| Retained earnings | 134 360 | **(1) OF** |
| Total equity | 208 640 | **(1)** |
| Liabilities | | |
| Current liabilities | | |
| Bank overdraft | 9 020 | **(1)** |
| Trade and other payables | 23 350 | **(1)** |
| Taxation | 10 600 | **(1)** |
| Total liabilities | 42 970 | |
| Total equity and liabilities | 251 610 | **(1) OF** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>State <u>two other</u> factors that may cause the value of plant and equipment to depreciate.<br><br>• obsolescence (1)<br>• usage (1)<br>• time factor (1)<br>• technological change (1)<br><br>Max 2 marks<br><br>Accept other valid responses</td><td>2</td></tr>
<tr><td>1(e)</td><td>State the formula for <u>each</u> of the following ratios.<br><br>
<table>
<tr><th>Ratio</th><th>Formula</th></tr>
<tr><td>Profit margin</td><td>$\frac{\text{Profit for the year}}{\text{Revenue}} \times 100$ (1)</td></tr>
<tr><td>Return on capital employed</td><td>$\frac{\text{Profit from operations}}{\text{Capital employed}} \times 100$ (1)</td></tr>
</table>
</td><td>2</td></tr>
</table>

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| Question | Answer | Marks |
|---|---|---|
| 1(f) | **Advise the directors which option they should choose. Justify your advice by considering <u>both</u> financial and non-financial factors.**<br><br>**Option 1 Bank loan**<br><br>• The company would have ownership of the asset **(1)**<br>• Would the bank be prepared to approve such a large loan? **(1)**<br>• Would the bank wish to take security for the loan **(1)**<br>• Interest payments would reduce profits **(1)**<br>• Depreciation would reduce profits **(1)**<br>• Likely to have a negative effect on the return on capital employed **(1)**<br>• May have a negative effect on profit margin unless significant increase in revenue **(1)**<br><br>**Option 2 Lease**<br><br>• The company would not own the asset **(1)**<br>• Would not be obliged to retain the asset at the end of the agreement if not suitable **(1)**<br>• Lease payments would reduce profits **(1)**<br>• Less vulnerable to business downturn **(1)**<br>• Less likely to have a negative effect on return on capital employed **(1)**<br>• May have a negative effect on profit margin unless significant increase in revenue **(1)**<br><br>**Max 6 for comments**<br><br>**Decision** supported with a comment **(1)**<br><br>**Accept other valid responses** | **7** |

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| Question | Answer | Marks |
|---|---|---|
| 2(a) | **Prepare the sales ledger control account for September 2024.**<br><br>Sales ledger control account | **8** |

| | $ | | $ |
|---|---|---|---|
| Balance b/d | 64 280 | Balance b/d | 215 **(1)** |
| Sales journal | 188 740 **(1)** | Sales returns journal | 2 560 **(1)** |
| Bank | 215 **(1)** | Bank | 196 380 **(1)** |
| | | Discounts allowed | 2 440 **(1)** |
| | | Contra | 1 150 **(1)** |
| | | Balance c/d | 50 490 |
| | 253 235 | | 253 235 |
| Balance b/d | 50 490 **(1)OF** | | |

| | | | |
|---|---|---|---|
| 2(b)(i) | **Calculate the corrected total of balances in the purchases ledger.** | | **3** |

| | $ | |
|---|---|---|
| Original total | 41 350 | |
| Overstated balance | (80) | **(1)** |
| Refund | (640) | **(1)** |
| Corrected total | 40 630 | **(1)** |

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| Question | Answer | Marks |
|---|---|---|
| 2(b)(ii) | **Calculate the corrected balance of the purchases ledger control account.** | **4** |

| | $ | |
|---|---|---|
| Original balance | 40 592 | |
| Purchases returns journal | 90 | **(1)** |
| Discounts received | (68) | **(1)** |
| Interest charged | 16 | **(1)** |
| Corrected balance | 40 630 | **(1)** |

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| Question | Answer | Marks |
|---|---|---|
| 3(a) | **Prepare the following accounts for the year ended 30 September 2024. Dates are <u>not</u> required.** | **11** |

Share Capital

| Details | $ | | Details | $ | |
|---|---|---|---|---|---|
| Balance c/d | 371 250 | | Balance b/d | 250 000 | |
| | | | Bank / Cash Book | 25 000 | **(1)** |
| | | | Bank / Cash Book | 55 000 | **(1)** |
| | | | Share premium | 39 900 | **(1)** |
| | | | Retained earnings | 1 350 | |
| | 371 250 | | | 371 250 | |
| | | | Balance b/d | 371 250 | **(1)OF** |

Share premium

| Details | $ | | Details | $ | |
|---|---|---|---|---|---|
| Share capital | 39 900 | **(1)OF** | Balance b/d | 13 400 | |
| | | | Bank / Cash Book | 10 000 | **(1)** |
| | | | Bank / Cash Book | 16 500 | **(1)** |
| | 39 900 | | | 39 900 | |

Retained earnings

| Details | $ | | Details | $ | |
|---|---|---|---|---|---|
| Bank / Cash Book | 13 200 | **(1)** | Balance b/d | 71 800 | |
| Share capital | 1 350 | **(1)OF** | Statement of profit or loss | 41 800 | **(1)** |
| Balance c/d | 99 050 | | | | |
| | 113 600 | | | 113 600 | |
| | | | Balance b/d | 99 050 | **(1)OF** |

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| Question | Answer | Marks |
|---|---|---|
| 3(b) | **State <u>two</u> features of a debenture.**<br><br>• Long term loan **(1)**<br>• Fixed interest rate **(1)**<br>• Repayable at specified date **(1)**<br>• No voting rights **(1)**<br><br>**Max 2 marks**<br><br>**Accept other valid responses.** | **2** |
| 3(c) | **State <u>two</u> features of ordinary shares.**<br><br>• Variable rate of dividend **(1)**<br>• Dividend not guaranteed **(1)**<br>• Voting rights **(1)**<br><br>**Max 2 marks**<br><br>**Accept other valid responses.** | **2** |

| Question | Answer | Marks |
|---|---|---|
| 4(a)(i) | **Calculate for the <u>Payroll services department</u> only:**<br><br>**the total number of chargeable hours available for the year ending 31 December 2025**<br><br>5 employees × 48 weeks × 40 hours = 9600 hours **(1)** | **1** |
| 4(a)(ii) | **Calculate for the <u>Payroll services department</u> only:**<br><br>**the break-even point in <u>hours</u>.**<br><br>7422 hours **(3) OF W**<br><br>**Workings**<br>Contribution: \$35 – \$7 = \$28 **(1)**<br>Fixed costs: 9600 × 18 = \$172 800 + \$35 000 = \$207 800 **(1)**<br>Breakeven point – \$207 800 / \$28 = 7422 hours **(1) OF** | **3** |
| 4(a)(iii) | **Calculate for the <u>Payroll services department</u> only:**<br><br>**the number of chargeable hours required to produce a profit of \$45 000 for the year ending 31 December 2025.**<br><br>9029 hours **(1) W**<br><br>**Working**<br><br>\$207 800 **(OF)** + \$45 000 = \$252 800/\$28 **(OF)** = 9029 hours **(1) OF** | **1** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Prepare a budgeted marginal cost statement to show the Payroll services department profit for the year ending 31 December 2025.<br><br>H Limited Payroll services department<br>Budgeted marginal cost statement for the year ending 31 December 2025<br><br>
<table>
<tr><td>Revenue</td><td>8160 × $35</td><td>285 600</td><td rowspan="2">(1)</td></tr>
<tr><td>Variable costs</td><td>8160 × $7</td><td>(57 120)</td></tr>
<tr><td>Contribution</td><td></td><td>228 480</td><td>(1)</td></tr>
<tr><td>Fixed costs</td><td></td><td>207 800</td><td>(1) OF</td></tr>
<tr><td>Profit for the year</td><td></td><td>20 680</td><td>(1) OF</td></tr>
</table></td><td>4</td></tr>
<tr><td>4(c)</td><td>Calculate the number of overtime <u>hours</u> required for the payroll services department for the year ending 31 December 2025 if the directors chose <u>Option 1</u>.<br><br>340 hours (3)<br><br>Workings
<table>
<tr><td></td><td>Hours</td><td></td></tr>
<tr><td>Available</td><td>9 600</td><td></td></tr>
<tr><td>Additional required</td><td>4 180</td><td></td></tr>
<tr><td>Total required</td><td>13 780</td><td>(1)</td></tr>
<tr><td>Now available (7 × 48 × 40)</td><td>13 440</td><td>(1)</td></tr>
<tr><td>Overtime required</td><td>340</td><td>(1)</td></tr>
</table></td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)</td><td>Prepare a budgeted marginal cost statement to show the Payroll services department profit for the year ending 31 December 2025 if the directors choose <u>Option 1</u>.<br><br>H Limited Payroll department<br>Budgeted marginal cost statement for the year ending 31 December 2025<br><br>
<table>
<tr><td>Revenue</td><td>13 780 × $35</td><td>482 300</td><td>(1) OF</td></tr>
<tr><td>Variable costs</td><td>13 780 × $7</td><td>(96 460)</td><td>(1) OF</td></tr>
<tr><td>Overtime payments</td><td>340 × $31.50</td><td>(10 710)</td><td>(1) OF</td></tr>
<tr><td>Contribution</td><td></td><td>375 130</td><td>(1) OF</td></tr>
<tr><td>Fixed costs salaries</td><td>13 440 × $21</td><td>(282 240)</td><td>(1) OF</td></tr>
<tr><td>Fixed costs other</td><td></td><td>(35 000)</td><td>(1)</td></tr>
<tr><td>Profit for the year</td><td></td><td>57 890</td><td>(1) OF</td></tr>
</table></td><td>7</td></tr>
<tr><td>4(e)</td><td>Calculate the Payroll services department contribution for the year ended 31 December 2025 if the directors choose <u>Option 2</u>.<br><br>$390 000 × 22% = $85 800 (1)</td><td>1</td></tr>
</table>

| Question | Answer | Marks |
|---|---|---|
| 4(f) | **Advise the directors which option they should choose. Justify your answer by considering <u>both</u> financial and non-financial factors.**<br><br>**Financial**<br><br>**Option 1**<br>• Exceeds the target profit by $12 890 **(1)**<br>• Results in total company profit of $107 690 **(1)**<br>• Will Accountancy department staff demand increased salary? **(1)**<br><br>**Option 2**<br>• Achieves positive contribution of $85 800 **(1)**<br>• Additional fixed costs must be borne leaving profit of $50 800 **(1)**<br>• Results in total company profit of $108 690 **(1)**<br>• Possible redundancy costs incurred **(1)**<br><br>**Non-financial**<br>• Will quality of work meet company's requirements? **(1)**<br>• Will there be confidentiality issues? **(1)**<br>• Will deadlines be met? **(1)**<br>• Will staff be prepared to work overtime? **(1)**<br>• Will closure of payroll department result in loss of Accountancy clients? **(1)**<br><br>**Overall comments max 6 marks**<br><br>**Decision** supported with a comment**(1)**<br><br>**Accept other valid responses** | **7** |
| 4(g) | **State <u>three</u> limitations of cost-volume-profit analysis.**<br><br>• Only relevant for single product or constant mix of products **(1)**<br>• Assumes that all variable costs per unit remain constant **(1)**<br>• Assumes that selling price remains constant **(1)**<br>• Fixed costs remain constant over the relevant range **(1)**<br>• All production is sold **(1)**<br><br>**Max 3 marks**<br><br>**Accept other valid responses** | **3** |

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