Cambridge Assessment International Education

Cambridge O Level

ACCOUNTING **7707/22**

Paper 2 (Structured) **October/November 2023**

MARK SCHEME

Maximum Mark: 100

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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>Seok
Sales journal
<table>
<tr><th>Date</th><th>Details</th><th>$</th></tr>
<tr><td>2023
Aug 3
5
19
22

31</td><td>
Naomi (410 – 41)
Bwana
Bwana
Naomi (230 – 23)

Transfer to sales account</td><td>
369 (1)
89}
180} (1)
207 (1)

845 (1)OF</td></tr>
</table></td><td>4</td></tr>
<tr><td>1(b)</td><td>Seok
Sales returns journal
<table>
<tr><th>Date</th><th>Details</th><th>$</th></tr>
<tr><td>2023
Aug10
27
31</td><td>
Naomi (20 – 2)
Bwana
Transfer to sales returns account</td><td>
18 (1)
19 (1)
37 (1)OF</td></tr>
</table></td><td>3</td></tr>
</table>

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Question	Answer	Marks
1(c)	Seok Naomi account	**6**

Date	Details		$	Date	Details		$
2023				2023			
Aug 1	Balance b/d	**(1)**	450	Aug 10	Sales returns	**(1) OF**	18
3	Sales **}**		369	11	Bank	**(1)**	423
22	Sales **}**	**(1)OF**	207		Discount allowed	**(1)**	27
				31	Balance c/d		558
			1026				1026
Sept 1	Balance b/d	**(1)OF**	558				

1(d)	Seok Sales ledger control account						**7**

Date	Details		$	Date	Details		$
2023				2023			
Aug 1	Balance b/d	**(1)**	991	Aug 31	Sales returns	**(1)OF**	37
31	Sales	**(1)OF**	845		Bank (423 + 400)	**(1)**	823
					Discount allowed	**(1)**	27
					Irrecoverable debts	**(1)**	155
					Balance c/d		794
			1836				1836
Sept 1	Balance b/d	**(1)OF**	794				

Question	Answer	Marks
2(a)	Sara Manufacturing Account for the year ended 30 September 2023 $ $ Cost of material consumed Opening inventory of raw material 4 875 Purchases of raw material 56 400 61 275 Less Closing inventory of raw material 5 110 56 165 **(1)** Direct wages 43 300 **(1)** Prime cost 99 465 **(1)OF** Factory overheads Wages of factory supervisor 25 000 **(1)** Rates and insurance (29 600 – 6 000) /2 11 800 **(2) (1)OF** General factory expenses (9 650 + 335) 9 985 **(1)** Depreciation of factory machinery (80 000 – 35 000=) 45 000 x 25% 11 250 **(1)** 58 035 157 500 **(1)OF** Add opening work-in-progress 8 125* 165 625 Less closing work-in-progress 7 365 ***(1) for both W in P** Cost of production 158 260 **(1)OF**	**11**
2(b)	Sara Statement of financial position (Current assets section) at 30 September 2023 Current Assets $ Inventory – Raw materials 5 110 } – Work-in-progress 7 365 } **(1)** – Finished goods 13 725 } 26 200 Trade receivables 27 000**}** Other receivables 6 000**}** Cash at bank 1 050**}(1)** 60 250**(1)OF**	**3**

Question	Answer	Marks
2(c)	Money measurement **(1)**	**1**
2(d)	**Advantages of supplying drama school** Will increase sales / revenue **(1)** May increase profit **(1)** The extra work will provide security/continuity of workload **(1)** If successful, potential to supply other schools, theatre groups, etc. **(1)** **Accept other valid points** **Max 3** **Disadvantages of supplying drama school** There would be extra administration or may incur additional costs / wages / costs of production **(1)** More manufacturing and/or storage capacity may be required **(1)** May not have capacity to supply both existing customers and drama group **(1)** Allowing 60 days credit will adversely affect liquidity **(1)** **Accept other valid points** **Max 3** **Recommendation (1)**	**5**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>
Lionel
Income Statement for the year ended 30 June 2023

<table>
<tr><td></td><td>$</td><td>$</td></tr>
<tr><td>Revenue</td><td></td><td>90 000 (1)</td></tr>
<tr><td>Cost of sales</td><td></td><td></td></tr>
<tr><td>Purchases</td><td>67 175 (1)OF</td><td></td></tr>
<tr><td>Less Purchases returns</td><td>3 000</td><td></td></tr>
<tr><td></td><td>64 175 (1)OF</td><td></td></tr>
<tr><td>Less Closing inventory</td><td>4 175</td><td>60 000</td></tr>
<tr><td>Gross profit</td><td></td><td>30 000 (1)</td></tr>
<tr><td>Less Expenses</td><td></td><td></td></tr>
<tr><td>Wages (8 060 + 2 600)</td><td>10 660 (1)</td><td></td></tr>
<tr><td>Motor expenses (4 992 × 2/3)</td><td>3 328 (1)</td><td></td></tr>
<tr><td>General expenses</td><td>1 140)</td><td></td></tr>
<tr><td>Rent and insurance</td><td>5 585)(1)</td><td></td></tr>
<tr><td>Depreciation of motor vehicles/van (25% × 8 000)</td><td>2 000 (1)</td><td>22 713</td></tr>
<tr><td>Profit for the year</td><td></td><td>7 287 (1)OF</td></tr>
</table>
</td><td>9</td></tr>
<tr><td>3(b)</td><td>
Lionel
Capital account
<table>
<tr><td>Date
2023</td><td>Details</td><td>$</td><td>Date
2022</td><td>Details</td><td></td><td>$</td></tr>
<tr><td>June 30</td><td>Drawings
(12 000 (1) + 1 664 (1))</td><td>
13 664</td><td>July 1
2023</td><td>Bank</td><td>(1)</td><td>15 000</td></tr>
<tr><td></td><td>Balance c/d</td><td>8 623</td><td>June 30</td><td>Profit for the year</td><td>(1)OF</td><td>7 287</td></tr>
<tr><td></td><td></td><td>22 287</td><td></td><td></td><td></td><td>22 287</td></tr>
<tr><td></td><td></td><td></td><td>July 1</td><td>Balance b/d</td><td>(1)OF</td><td>8 623</td></tr>
</table>
</td><td>5</td></tr>
</table>

Question	Answer	Marks
3(c)	Full details are available about the assets, liabilities, revenues and expenses of the business **(1)** The preparation of financial statements is relatively straightforward **(1)** The profit or loss for the year is more likely to be reliable and accurate / the financial statements are more likely to be reliable and accurate **(1)** More informed decision-making is possible **(1)** A greater degree of control over business activities can be exercised **(1)** The possibility of fraud is reduced **(1)** Comparisons with the results of previous years and with other businesses are possible **(1)** Detailed records are available for reference purposes **(1)** Information required by a bank or other lender is readily available **(1)**	**1**
3(d)	**Allowing Trade discount** May encourage customers to purchase regularly / place repeat orders **(1)** If successful may increase revenue **and** gross profit **OR** If unsuccessful may decrease revenue **and** gross profit **(1)** Need to record which customers qualify for discount / record discount on invoices **(1)** One-off customers may feel they are being overcharged **(1)** **Accept other valid points** **Max (3)** **Allowing Cash discount** Some credit customers will pay more quickly or encourage prompt payment **(1)** Less money will be received **(1)** Will reduce profit / net profit for the year **(1)** 3% may not be enough to encourage early payment **(1)** May reduce risk of irrecoverable debts **(1)** **Accept other valid points** **Max (3)** **Recommendation (1)**	**5**

Question	Answer	Marks
4(a)		**9**

Error	Entries required to correct the error			
	Debit		Credit	
	Account	$	Account	$
A payment for rent, $350, had been debited to the wages account.	*Rent payable*	*350*	*Wages*	*350*
The sales journal for September had been overcast by $90.	Sales	90 **(1)**	Suspense	90 **(1)**
Sales returns, $110, had been recorded as purchases returns.	Purchases returns Sales returns	110 **(1)** 110 **(1)**	Suspense	220 **(1)**
A payment for office expenses, $18, had been recorded in the office expenses account as $81.	Suspense	63 **(1)**	Office expenses	63 **(1)**
A petty cash book payment, $29, to Cole, a supplier, had been recorded in the column for motor expenses.	Cole	29 **(1)**	Motor expenses	29 **(1)**

4(b)							**5**

Rachel
Suspense account

Date	Details		$	Date	Details		$
2023				2023			
Sep 30	Difference on trial balance	**(1)OF**	247	Sept 30	Sales	**(1)**	90
	Office expenses	**(1)**	63		Purchases returns	**(1)**	110
			310		Sales returns	**(1)**	110
							310

Question	Answer	Marks
4(c)	$ $ Draft profit 18 243 Add: Office expenses 63 **(1)** Motor expenses 29 **(1)** 92 18 335 Less: Sales 90 **(1)** Purchases returns 110 **}** Sales returns 110 **}(1)** (310) Corrected profit 18 025 **(1)OF**	**5**
4(d)	Financial statements can still be reliable if errors are present provided those errors are not material or significant **(1)**	**1**

Question	Answer	Marks
5(a)	Gross margin $= \frac{98\,420 - (6\,175 + 78\,130 - 6\,265)}{98\,420} = \frac{20\,380}{98\,420}$ **(1)** $\times$ 100 = 20.71% **(1)OF** Profit margin $= \frac{(20\,380 - 11\,325)}{98\,420} = \frac{9\,055}{98\,420}$ **(1)OF** x 100 = 9.20% **(1)OF** Return on capital employed $= \frac{9\,055\ \textbf{OF}}{125\,000\ (\textbf{1})} \times 100 = 7.24\%$ **(1)OF** Rate of inventory turnover $= \frac{(6\,175 + 78\,130 - 6\,265)(\textbf{1})}{(6\,175 + 6\,265)/2(\textbf{1})} = \frac{78\,040}{6\,220} = 12.55$ times **(1)OF** Liquid ratio = 992/4 880 **(1)** = 0.20:1 **(1)OF**	**11**
5(b)	The gross profit margin will be lower than her competitor's **(1)** Reduction in gross profit margin may result in a lower gross profit **OR** increase in sales my result in a higher gross profit **(1)** The profit for the year or profit margin will reduce because of the increase in (advertising) expenses **OR** the profit for the year may increase because of the increase in gross profit / increase in sales from extra advertising **(1)** Selling her inventory faster does not mean her sales will be more than her competitor **(1)** Needs to sell more inventory to significantly increase profit **(1)** **Accept other valid points** **Max (3)**	**3**

Question	Answer	Marks
5(c)	**For obtaining a bank loan** If business expands profit may increase **(1)** Once the loan is paid off, there will be no further liability to the bank **(1)** 5 years before loan is due allows time for repayment **(1)** **Accept other valid points** **Max (2)** **Against obtaining a bank loan** Interest will have to be paid on the loan **(1)** Loan interest will reduce profit for the year **(1)** The bank may require security **(1)** Assets may be at risk if unable to repay loan **(1)** The loan will have to be repaid **(1)** Bank may not be prepared to offer a loan **(1)** **Accept other valid points** **Max (2)** **Recommendation (1)**	**5**
5(d)	Assess whether loan can be repaid **(1)** Assess whether loan interest can be paid **(1)** Assess security available for the loan **(1)**	**1**

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