Cambridge Assessment International Education

Cambridge O Level

ACCOUNTING **7707/23**

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)(i)</td><td>Shakir
Journal

<table>
<tr><th>Date</th><th>Details</th><th>Debit
$</th><th>Credit
$</th><th></th></tr>
<tr><td>2023
1 Sep</td><td>Motor vehicle
Inventory
Bank

Latif
Harrison
Capital</td><td>9 500
1 240
1 682

12 422</td><td>

200
237
11 985
12 422</td><td>}
} (1)
}

}
} (1)
(1)</td></tr>
</table></td><td>3</td></tr>
<tr><td>1(a)(ii)</td><td>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 calculation of the profit or loss for the year is 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)

Max (2)</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(b)	Shakir Cash Book	**11**

Date 2023	Details		Disc Alld $	Cash $	Bank $	Date 2023	Details		Disc Rec $	Cash $	Bank $
Sep 1	Balance b/d	**(1)**			1 682	Sep 2	Rent	**(1)**			420
4	Bank	**(1)**		350		4	Cash	**(1)**			350
17	Sales	**}**			290	7	Latif	**(1)**	6		194
28	Sydney	**} (1)**			100		Wages	**(1)**		161	
						12	Harrison	**(1)**	5		95
						29	Balances c/d			189	1013
						30					
			–	350	2 072				11	350	2 072
Oct 1	Balances b/d			189	1 013				**(1)OF**		
				***(1) OF**							
	***For both balances**										

+(1) dates

1(c)	Cash book balance	1 013	**(1)OF**		Balance per bank statement	763	**(1)**	**4**
	Sales by credit transfer	175	**(1)**		Outstanding lodgement	100	**(1)**	
	Less bank charges	(35)	**(1)**	**OR**	Bank error	290	**(1)**	
	Corrected bank balance	1 153	**(1)OF**		Corrected bank balance	1 153	**(1)OF**	

Question	Answer	Marks
2(a)	Hilary Manufacturing Account for the year ended 31 July 2023 $ $ $ Cost of material consumed Opening inventory of raw material 9 100 Purchases of raw material 110 000 Less Purchases returns 2 200 107 800 116 900 Less Closing inventory of raw material 9 980 106 920 **(1)** Direct wages 91 665 **(1)** Prime cost 198 585 **(1)OF** Factory overheads Wages of factory supervisor 29 000 Heat, light and power (11 600 × 4/5) 9 280 **(1)** Rates and insurance (8 250 – [5/12 × 4 440]**(1)**) × 3/5**(1)** 3 840 Factory repairs and renewals (5 125 + 644) 5 769 **(1)** Depreciation of factory equipment (124 000 – 35 500) × 25% 22 125 **(1)** 70 014 268 599 **(1)OF** Add opening work-in-progress 21 357 * 289 956 Less closing work-in-progress 22 446 *** (1) both W in P** Cost of production 267 510 **(1)OF**	**11**
2(b)	$ $ $ Revenue 457 250 Cost of sales Opening inventory 24 235 * Cost of production 267 510 **(1)OF** Purchases of finished goods 23 500 **}** Less Purchases returns 4 700 **}(1)** 18 800 310 545 Less Closing inventory 25 110 ***(1)Both** 285 435 Gross profit 171 815 **(1)OF**	**4**

Question	Answer	Marks
2(c)	**Advantages of stopping buying in finished goods** Not dependent on supplier for ensuring continuity of supplies of goods/more control if produce own goods **(1)** May have more control over quality of goods produced in own factory **(1)** Would have more control over cost **(1)** May be more profitable/cheaper to produce and sell own goods **(1)** Not all manufacturing costs will increase in proportion to any increase in production **(1)** Currently a high proportion of purchases of finished goods are returned **(1)** **Accept other valid points** **Max (3)** **Disadvantages of stopping buying in finished goods** Increase in factory running costs/cost of production **(1)** May need to purchase additional machinery **(1)** May not be able to increase factory capacity by enough to meet demand **(1)** May not be able to meet increase in demand/if demand falls may have surplus capacity and increased inventory **(1)** Quality of goods purchased may be inferior **(1)** **Accept other valid points** **Max (3)** **Recommendation (1)**	**5**

Question	Answer	Marks
3(a)	Logan Inventory account Date 2022 Oct 1 — Balance b/d **(1)** — $ 8 400 8 400 2023 Sep 30 — Income statement **(1)** — 8 675 Date 2023 Sep 30 — Income statement **(1)** — $ 8 400 8 400	**3**
3(b)	Logan Provision for doubtful debts account Date 2023 Sep 30 — Balance c/d **(1)** — $ 335 335 Date 2022 Oct 1 — Balance b/d **(1)** — $ 300 2023 Sep 30 — Income statement **(1)OF** — 35 335 2023 Oct 1 — Balance b/d **(1)OF** — 335	**4**
3(c)	Logan Rent payable account Date 2022 Oct 1 — Balance b/d **(1)** — $ 820 Dec 1 — Bank **(1)** — 2 460 2023 Jun 1 — Bank **(1)** — 2 490 5 770 Oct 1 — Balance b/d **(1)OF** — 830 Date 2023 Sep 30 — Income statement **(1)** — $ 4 940 Balance c/d — 830 5 770 **+(1) Dates**	**6**

Question	Answer	Marks
3(d)(i)	Inventory is valued at the lower of cost and net realisable value **(1)**	**1**
3(d)(ii)	The rent relating to the current year is transferred to the income statement **(1)** The total rent paid is adjusted for prepayments before transfer to the income statement **(1)** **Max (1)**	**1**
3(e)	**Advantages of buying premises using loan** Would not have to pay rent **(1)** Will not be subject to future rent increases **(1)** May be cheaper in the long run **(1)** Property will be owned so can adapt to requirements/rent out etc. **(1)** Have several years to repay the loan **(1)** No further obligation after loan repaid **(1)** Over a period of time property may increase in value **(1)** **Accept other valid points** **Max (3)** **Disadvantages of buying premises using loan** Have to pay interest on loan **(1)** Loan must be repaid when due **(1)** Loan would probably be secured on the property/assets may be at risk is loan not repaid **(1)** Will be responsible for maintenance of property **(1)** Percentage of interest on loan may increase **(1)** **Accept other valid points** **Max (3)** **Recommendation (1)**	**5**

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Question 4(a) — **Marks: 11**

Asia
Journal

Error number	Details	Debit $	Credit $	
1	Jacques	112		**(1)**
	Purchases		112	**(1)**
2	Suspense	300		**(1)**
	Wages		300	**(1)**
3	Suspense	75		**(1)**
	Savanah		75	**(1)**
4	Sales returns	396		**(1)**
	Purchases returns	198		**(1)**
	Suspense		594	**(1)**
5	Sophie	54		**(1)**
	Suspense		54	**(1)**

Question 4(b) — **Marks: 5**

Asia
Suspense account

Date 2023	Details		$	Date 2023	Details		$
Aug 31	Difference on trial balance	**(1)**	273	Aug 31	Sales returns	**}**	396
	Wages	**(1)**	300		Purchases returns	**}(1)**	198
	Savanah	**(1)**	75		Sophie	**(1)**	54
			648				648

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>
<table>
<tr><th>Error number</th><th>Error</th><th colspan="2">Gross profit</th><th colspan="2">Profit for the year</th><th>No effect</th><th></th></tr>
<tr><td></td><td></td><td>+</td><td>–</td><td>+</td><td>–</td><td></td><td></td></tr>
<tr><td>1</td><td>A credit purchase, $112, from Jacques, had been debited twice to the purchases account.</td><td></td><td>✓</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>2</td><td>The wages account had been overcast by $300.</td><td></td><td></td><td></td><td>✓</td><td></td><td>(1)</td></tr>
<tr><td>3</td><td>Cash received, $75 from Savanah, a trade receivable, had only been entered in the cash book.</td><td></td><td></td><td></td><td></td><td>✓</td><td>(1)</td></tr>
<tr><td>4</td><td>The total of the sales returns journal for August 2023, $198, had been credited to both the sales returns account and the purchases returns account.</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td>(1)</td></tr>
<tr><td>5</td><td>A payment to Sophie, $93, had been recorded as $39 in Sophie’s account.</td><td></td><td></td><td></td><td></td><td>✓</td><td>(1)</td></tr>
</table>
</td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)</td><td>
B Limited
Income Statement for the year ended 30 June 2023
<table>
<tr><td></td><td>$</td><td></td><td>$</td><td></td></tr>
<tr><td>Revenue (135 040 – 9 240)</td><td></td><td></td><td>125 800</td><td>(1)</td></tr>
<tr><td>Less Expenses</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Wages and salaries</td><td>72 000</td><td></td><td></td><td></td></tr>
<tr><td>Motor expenses</td><td>9 820</td><td></td><td></td><td></td></tr>
<tr><td>Insurance (1/2 × 7 220)+(1/2 × 7 440)</td><td>7 320</td><td>(1)</td><td></td><td></td></tr>
<tr><td>General expenses (12 780 + 186)</td><td>12 966</td><td>(1)</td><td></td><td></td></tr>
<tr><td>Depreciation of motor vehicles (42 000 – 16 500) × 25%</td><td>6 375</td><td>(1)</td><td></td><td></td></tr>
<tr><td>Depreciation of equipment (5 000 × 20%)</td><td>1 000</td><td>(1)</td><td>109 481</td><td></td></tr>
<tr><td>Profit for the year</td><td></td><td></td><td>16 319</td><td>(1)OF</td></tr>
</table>
</td><td>6</td></tr>
<tr><td>5(b)</td><td>
B Limited
Statement of Changes in Equity for the year ended 30 June 2023
<table>
<tr><th>Details</th><th>Ordinary share capital
$</th><th>General Reserve
$</th><th>Retained earnings
$</th><th>Total
$</th><th></th></tr>
<tr><td>On 1 July 2022</td><td>10 000</td><td>2 000</td><td>13 490</td><td>25 490</td><td>(1) row</td></tr>
<tr><td>Profit for the year</td><td>.....</td><td>.....</td><td>16 319</td><td>16 319</td><td>(1)OF row</td></tr>
<tr><td>Dividend paid</td><td>.....</td><td>.....</td><td>(4 800)</td><td>(4 800)</td><td>(1) row</td></tr>
<tr><td>Transfer to general reserve</td><td>…….</td><td>1 000</td><td>(1 000)</td><td>.....</td><td>(1) row</td></tr>
<tr><td>On 30 June 2023</td><td>10 000</td><td>3 000</td><td>24 009</td><td>37 009</td><td>(1)OF row</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>
</td><td>5</td></tr>
<tr><td>5(c)(i)</td><td>The company provides a service rather than a product (1)
The clients provide their own cleaning materials (1)
Max (2)</td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(c)(ii)</td><td>There were no irrecoverable debts during the year/there are no irrecoverable trade receivables (1)
There are very few trade receivables/trade receivables represent less than a week’s revenue (1)
Some customers are paying in advance (1)
Max (2)</td><td>2</td></tr>
<tr><td>5(d)</td><td>
<table>
<tr><th>Issuing debentures</th><th>Issuing ordinary shares</th></tr>
<tr><td>Annual interest is payable (1)</td><td>A dividend may be paid (1)</td></tr>
<tr><td>Are a liability\are a loan\must be repaid (1)</td><td>Do not have to be repaid (1)</td></tr>
<tr><td>If company is wound up they are repaid before ordinary shareholders (1)</td><td>If company is wound up they are repaid after debenture holders (1)</td></tr>
<tr><td>Debenture holders are not members of the company/cannot vote (1)</td><td>Shares will carry same voting rights/rank equally as existing shares (1)</td></tr>
<tr><td>Issue of debentures will not dilute the control of the existing ordinary shareholders (1)</td><td>May dilute control of existing shareholders (1) (if some purchase a greater proportion of shares)</td></tr>
<tr><td>Interest is a fixed amount (1) (and so can be budgeted for)</td><td>Dividend is not fixed (and may depend on profit levels) (1)</td></tr>
<tr><td>Interest must be paid irrespective of profits (1)</td><td>Directors they can decide on amount of dividend they will pay (1)</td></tr>
<tr><td>May be secured on the non-current assets of the company (1)</td><td>May take longer to raise the funds (1)</td></tr>
<tr><td>Issue may not raise adequate funds (1)</td><td>Issue may not raise adequate funds (1)</td></tr>
<tr><td>Max (3)</td><td>Max (3)</td></tr>
</table>
Recommendation (1)</td><td>5</td></tr>
</table>

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