



Cambridge O Level

ACCOUNTING

7707/21

Paper 2 Structured

May/June 2020

MARK SCHEME

Maximum Mark: 120

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.

This document consists of **18** printed pages.

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.

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.

Question	Answer	Marks																																																												
1(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center; width: 10%;">\$</td> <td style="width: 10%;"></td> <td style="text-align: center; width: 10%;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Sales</td> <td></td> <td></td> <td style="text-align: right;">10 542</td> <td></td> <td>(2)CF/(1)OF</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">900</td> <td>*</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right; border-bottom: 1px solid black;">7 600</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">8 500</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td style="text-align: right; border-bottom: 1px solid black;">970</td> <td>*(1)</td> <td style="text-align: right; border-bottom: 1px solid black;">7 530</td> <td></td> <td>(1)OF</td> </tr> <tr> <td>Gross profit</td> <td></td> <td></td> <td style="text-align: right; border-bottom: 3px double black;">3 012</td> <td></td> <td></td> </tr> </table> <p>* mark for opening and closing inventory Any format acceptable</p>		\$		\$			Sales			10 542		(2)CF/(1)OF	Cost of sales						Opening inventory	900	*				Purchases	7 600						8 500					Less Closing inventory	970	*(1)	7 530		(1)OF	Gross profit			3 012			4												
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Question	Answer						Marks
2(c)	Ame Suspense account						5
	Date	Details	\$	Date	Details	\$	
	2020			2020			
	Mar 31	Difference on trial balance (1) OF	369	Mar 31	Office expenses (1)	240	
		Purchases (1)	486		Wages (1)	240	
			855		Rent and insurance (1)	375	
						855	

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4(b)	The net realisable value is lower than the cost so item D should be recorded at its net realisable of zero (1) There will be no effect on profit (1)					2																									
4(c)	<p>Advantages The obsolete inventory is a loss to Rani’s business (1) She will wish to avoid such losses in the future (1) Holding inventory necessitates storage costs (1) If Rani stops buying item D, she may have funds available for other business opportunities (1) Rani had difficulty in monitoring four types of inventory (1) Accept other valid points Max (2)</p> <p>Disadvantages Rani needs to consider that it may be risky to stock only three of the four lines of inventory in the future (1) There may be customer demand in future for item D (1) Customers who have to start buying item D from another supplier may also buy items A, B and C from them (1) Accept other valid points Max (2)</p> <p>Recommendation (1)</p>					5																									

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5(e)	<p>Basic statements – Increase profit for the year (1) Reduce capital employed (1) Use capital employed more effectively (1)</p> <p>Max (3)</p> <p>Expansion of basic statements – Ways to increase profit for the year – Increase profit by increasing gross profit (1) Reduce expenses (1) Increase other income (1)</p> <p>Max (2)</p> <p>Ways to reduce capital employed – Increase dividend (so reducing reserves) (1) Reduce non-current liabilities (1)</p> <p>Max (2)</p> <p>Ways to use capital employed more effectively – combine lower costs with higher sales (1) sell off surplus/inefficient assets that generate little revenue/increase costs (1)</p> <p>Max (2)</p> <p>Max (5)</p>	5