



Cambridge International AS & A Level

ACCOUNTING

9706/22

Paper 2 Structured Questions

May/June 2021

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 May/June 2021 series for most Cambridge IGCSE™, Cambridge International A and 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.

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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.

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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Question	Answer	Marks																											
1(a)	<p style="text-align: center;">N Limited Income statement for the year ended 31 December 2020</p> <table border="1"> <thead> <tr> <th></th><th>\$000</th><th></th></tr> </thead> <tbody> <tr> <td>Revenue</td><td>923</td><td></td></tr> <tr> <td>Cost of sales</td><td>(466)</td><td></td></tr> <tr> <td>Gross profit</td><td>457</td><td>(1)</td></tr> <tr> <td>Administrative expenses W1</td><td>(370)</td><td>(4)OF</td></tr> <tr> <td>Distribution costs W2</td><td>(113)</td><td>(2)OF</td></tr> <tr> <td>Loss from operations</td><td>(26)</td><td>(1)OF</td></tr> <tr> <td>Finance costs</td><td>(17)</td><td>(1)</td></tr> <tr> <td>Loss for the year</td><td>(43)</td><td>(1)OF</td></tr> </tbody> </table> <p>Workings</p> <p>W1 $171 + 200 (1) - 4 (1) + 3 (1) = \\$370 (1)OF$</p> <p>W2 $63 + 50 (1) = \\$113 (1)OF$</p>		\$000		Revenue	923		Cost of sales	(466)		Gross profit	457	(1)	Administrative expenses W1	(370)	(4)OF	Distribution costs W2	(113)	(2)OF	Loss from operations	(26)	(1)OF	Finance costs	(17)	(1)	Loss for the year	(43)	(1)OF	10
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Question	Answer	Marks
1(b)	<p>Sample responses</p> <p>1 mark Rights issue is a permanent source of capital (1)</p> <p>2 marks Rights issue is a permanent source of capital (1) whereas debentures are a liability that must be repaid at a future date (1)</p> <p>3 marks Rights issue is a permanent source of capital (1) on which dividends are paid (1) whereas debentures are a liability that must be repaid at a future date (1)</p> <p>4 marks Rights issue is a permanent source of capital (1) on which dividends are paid (1) whereas debentures are a liability that must be repaid at a future date (1) with interest which will reduce profits (1)</p> <p>Accept other valid responses.</p>	4
1(c)	<p>\$240 000 (4)</p> <p>Working</p> <p>Rights issue 2 000 000 shares (1) \times 2/5 (1) = 800 000 shares (1OF) \times \$0.30 = \$240 000 (1)OF</p>	4

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Question	Answer	Marks																																													
1(d)	<div>N Limited</div> <div>Statement of changes in equity</div> <div>for the year ended 31 December 2020</div> <table><tr><td></td><td>Ordinary share capital</td><td>Share premium</td><td>Retained earnings</td><td>Total</td></tr><tr><td></td><td>\$000</td><td>\$000</td><td>\$000</td><td>\$000</td></tr><tr><td>Balance at 1 January 2020</td><td>300</td><td>30</td><td>129</td><td>459</td></tr><tr><td></td><td colspan="3">(1) for both</td><td></td></tr><tr><td>Rights issue of shares</td><td>200</td><td>40</td><td></td><td>240</td></tr><tr><td></td><td colspan="3">(1)OF for both</td><td></td></tr><tr><td>Loss for year</td><td></td><td></td><td>(43) (1)OF</td><td>(43)</td></tr><tr><td>Dividend paid</td><td></td><td></td><td>(80) (1)</td><td>(80)</td></tr><tr><td>Balance at 31 December 2020</td><td>500</td><td>70</td><td>6</td><td>576 (1) OF for row & column</td></tr></table>		Ordinary share capital	Share premium	Retained earnings	Total		\$000	\$000	\$000	\$000	Balance at 1 January 2020	300	30	129	459		(1) for both				Rights issue of shares	200	40		240		(1)OF for both				Loss for year			(43) (1)OF	(43)	Dividend paid			(80) (1)	(80)	Balance at 31 December 2020	500	70	6	576 (1) OF for row & column	5
	Ordinary share capital	Share premium	Retained earnings	Total																																											
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1(e)	Current ratio (1) Liquid (acid test) ratio (1)	2																																													

Question	Answer	Marks
1(f)	<p>For proposal (Max 2)</p> <ul style="list-style-type: none"> • May improve cash flows/liquidity/as customer may pay more quickly (1) • May encourage larger orders (1) • May make irrecoverable debts less likely (1) <p>Against proposal (Max 2)</p> <ul style="list-style-type: none"> • Will reduce profits by the amount of discounts allowed (1), (and company is already making a loss) (1) • Will also reduce cash receipts (1) • Possible loss of customers who do not qualify for cash discount (1) <p>Advice (1)</p> <p>Accept other valid responses.</p>	5

Question	Answer	Marks
2(a)	<p>To avoid overstating profit/current assets/trade receivables (1) – prudence concept (1)</p> <p>To match costs with revenue (1) – accruals/matching concept (1)</p> <p>Max 2</p> <p>Accept other valid responses.</p>	2

Question	Answer	Marks																			
2(b)	<div>Journal</div> <table><tr><td></td><td>Dr</td><td>Cr</td><td></td></tr><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Irrecoverable debts</td><td>850</td><td></td><td>(1)</td></tr><tr><td>(Trade receivable): P Limited</td><td></td><td>340</td><td rowspan="2">} (1)</td></tr><tr><td>(Trade receivable): Q Limited</td><td></td><td>510</td></tr></table>		Dr	Cr			\$	\$		Irrecoverable debts	850		(1)	(Trade receivable): P Limited		340	} (1)	(Trade receivable): Q Limited		510	2
	Dr	Cr																			
	\$	\$																			
Irrecoverable debts	850		(1)																		
(Trade receivable): P Limited		340	} (1)																		
(Trade receivable): Q Limited		510																			
2(c)	<div><ul style="list-style-type: none">Reduce credit sales (1)Better credit control (1)Regular telephone contact with customers (1)Credit checks on customers (1)Issue regular statements of account/invoices (1)Setting credit limits for customers (1)Stop supply to late paying customers (1)</div> <div>Max 2</div> <div>Accept other valid responses.</div>	2																			

Question	Answer					Marks	
2(d)	(\$91) decrease (4)					4	
	Working						
		\$	\$				
	Existing provision		980				
	Outstanding less than 1 month: 1% × \$34 200	342		(1)			
	Outstanding 1–3 months: 5% × \$6 680	334		(1)			
	Outstanding 4–6 months 10% × \$2 130	213		(1)			
			889				
	Decrease in provision		91	(1)OF			
2(e)	Provision for doubtful debts account					3	
		\$			\$		
	Income statement	91	(1)OF	Balance b/d	980		(1)
	Balance c/d	889					
		980			980		
				Balance b/d	889		(1)OF

Question	Answer	Marks															
2(f)	<ul style="list-style-type: none"> • Amount of trade receivables (1) • Past experience of irrecoverable debts (1) • State of the economy (1) • Specific knowledge of credit customers (1) • Age of the debts (1) <p>Max 2 Accept other valid responses.</p>	2															
3(a)	<p>\$14 360 (5)</p> <p>Workings</p> <table border="1"> <tr> <td></td><td>\$</td><td></td></tr> <tr> <td>Draft profit for the year</td><td>11 270</td><td></td></tr> <tr> <td>Less: overvalued inventory</td><td>(510)</td><td>(1)</td></tr> <tr> <td>Add: decrease in provision for depreciation (W)</td><td>3 600</td><td>(3)OF</td></tr> <tr> <td>Revised profit for the year</td><td>14 360</td><td>(1)</td></tr> </table> <p>W Incorrect charge for the year $20\% \times \\$65\,000 = \\$13\,000$ Provision at beginning of year $(\\$31\,000 - \\$13\,000) = \\$18\,000$ Net book value at beginning of year $(\\$65\,000 - \\$18\,000) = \\$47\,000$ Correct depreciation charge for the year $(\\$47\,000 \times 20\%)$ i.e. \$9 400 Decrease in depreciation charge: $\\$13\,000$ (1) – \$9 400 (1) = \$3 600 (1)OF</p>		\$		Draft profit for the year	11 270		Less: overvalued inventory	(510)	(1)	Add: decrease in provision for depreciation (W)	3 600	(3)OF	Revised profit for the year	14 360	(1)	5
	\$																
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Revised profit for the year	14 360	(1)															

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Question	Answer				Marks
3(b)	Corrected statement of financial position at 31 December 2020				7
		\$		\$	
Non-current assets					
Cost	65 000				
Provision for depreciation	27 400				
			37 600	(1)OF	
Current assets					
Inventory	16 880	(1)			
Trade receivables	14 320	(1)			
Other receivables	710	(1)			
			31 910		
Total assets			69 510		
Capital					
Opening balance	56 950				
Profit for year	14 360				
Drawings	(19 030)	(1)			
			52 280		

Question	Answer					Marks																																			
3(b)	<table><tr><td>Current liabilities</td><td></td><td></td><td></td><td></td></tr><tr><td>Bank loan (2021)</td><td>4 900</td><td></td><td></td><td></td></tr><tr><td>Other payables</td><td>480</td><td>(1)</td><td></td><td></td></tr><tr><td>Trade payables</td><td>11 360</td><td></td><td></td><td></td></tr><tr><td>Bank overdraft</td><td>490</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>17 230</td><td>(1)</td></tr><tr><td>Total capital and liabilities</td><td></td><td></td><td>69 510</td><td></td></tr></table>					Current liabilities					Bank loan (2021)	4 900				Other payables	480	(1)			Trade payables	11 360				Bank overdraft	490							17 230	(1)	Total capital and liabilities			69 510		
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Total capital and liabilities			69 510																																						
3(c)	<p>Errors of:</p> <ul style="list-style-type: none">• commission (1)• principle (1)• omission (1)• complete reversal (1)• compensating (1)• original entry (1) <p>Max 3</p>					3																																			

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Question	Answer						Marks
4(a)			Production departments		Service departments		
			Assembly	Finishing	Administration	Canteen	
			\$	\$	\$	\$	
	Overheads	83 500	70 100	28 300	15 400		
	Reapportion service department	7 700	6 160	1 540	(15 400)	(1) for row	
	Subtotal	91 200	76 260	29 840	-	(1)OF for row	
	Reapportion service department	22 380	7 460	(29 840)	-	(1)OF for row	
	Total overheads	113 580	83 720	-	-	(1)OF for row	
	4(b)	Assembly	\$113 580/2 800	\$40.56 (1)OF	per machine hour (1)		
Finishing		\$83 720/1 400	\$59.80 (1)OF	per labour hour (1)			

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Question	Answer				Marks
4(c)			\$		7
	Direct materials		1 880		
	Direct labour				
	Assembly department	$11.5 \times \$8.40$	96.60	(1)	
	Finishing department	$6.1 \times \$8.20$	50.02	(1)	
	Overheads				
	Assembly department	$5.7 \times \$40.56$ (OF)	231.19	(1)OF	
	Finishing department	$6.1 \times \$59.80$ (OF)	364.78	(1)OF	
			2 622.59	(1)OF	
	Profit	$40\% \times \text{Selling price}$	1 748.39	(1)OF	
			4 370.98	(1)OF	
4(d)	Overheads are more than budgeted (1) Actual production is less than budgeted (1)				2
4(e)(i)	Allocation: where overheads can be directly attributed to a cost centre (1)				1
4(e)(ii)	Apportionment: where it is necessary to divide costs between cost centres on some appropriate basis (1)				1

Question	Answer				Marks																																
4(f)	<p>\$41 400 (4)</p> <p>Workings</p> <table><tr><td></td><td></td><td>\$</td><td></td></tr><tr><td>Revenue</td><td>7 600 × \$30</td><td>228 000</td><td></td></tr><tr><td>Direct material</td><td>7 600 × \$5.50</td><td>(41 800)</td><td></td></tr><tr><td>Direct labour</td><td>7 600 × \$8.00</td><td>(60 800)</td><td>(1)</td></tr><tr><td>Variable costs</td><td>7 600 × \$2.50</td><td>(19 000)</td><td>(1)</td></tr><tr><td>Contribution</td><td></td><td>106 400</td><td></td></tr><tr><td>Fixed costs</td><td></td><td>(65 000)</td><td>(1)</td></tr><tr><td>Profit for the month</td><td></td><td>41 400</td><td>(1)</td></tr></table>						\$		Revenue	7 600 × \$30	228 000		Direct material	7 600 × \$5.50	(41 800)		Direct labour	7 600 × \$8.00	(60 800)	(1)	Variable costs	7 600 × \$2.50	(19 000)	(1)	Contribution		106 400		Fixed costs		(65 000)	(1)	Profit for the month		41 400	(1)	4
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Question	Answer	Marks																											
4(f)	<p>Alternative answer</p> <table border="1"> <tr> <td></td><td>\$</td><td></td></tr> <tr> <td>Revenue</td><td>30.00</td><td></td></tr> <tr> <td>Direct material</td><td>(5.50)</td><td></td></tr> <tr> <td>Direct labour</td><td>(8.00)</td><td>(1)</td></tr> <tr> <td>Variable costs</td><td>(2.50)</td><td>(1)</td></tr> <tr> <td>Contribution</td><td>14.00</td><td></td></tr> <tr> <td>Total contribution</td><td>106 400</td><td></td></tr> <tr> <td>Fixed costs</td><td>(65 000)</td><td>(1)</td></tr> <tr> <td>Profit for the month</td><td>41 400</td><td>(1)</td></tr> </table>		\$		Revenue	30.00		Direct material	(5.50)		Direct labour	(8.00)	(1)	Variable costs	(2.50)	(1)	Contribution	14.00		Total contribution	106 400		Fixed costs	(65 000)	(1)	Profit for the month	41 400	(1)	
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4(g)	<p>For changing supplier (Max 3)</p> <ul style="list-style-type: none"> Profits/contribution will be greater (1) Will not have to rely on overtime working which will reduce costs (1) Better working relationship with the sole supplier (1) <p>Against changing supplier (Max 3)</p> <ul style="list-style-type: none"> Will quality of materials be less? (1) Will there be supply problems when delivering from overseas (1) Will new supplier be reliable? (1) Will reduced output lead to the loss of regular orders(1) Will reduced output lead to possible redundancies.(1) <p>Advice (1) Accept other valid responses.</p>	7																											