



# Cambridge O Level

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**ACCOUNTING**

**7707/22**

Paper 2

**October/November 2022**

**MARK SCHEME**

Maximum Mark: 100

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**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 2022 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **16** 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.

Question	Answer	Marks																																																															
1(a)	<p style="text-align: center;"><b>BC</b></p> <p style="text-align: center;">Income Statement for the year ended 31 August 2022</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">\$</th><th style="text-align: right;">\$</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">231 500</td></tr> <tr> <td>Sales returns</td><td></td><td style="text-align: right;"><u>3 600</u></td></tr> <tr> <td></td><td></td><td style="text-align: right;">227 900 <b>(1)</b></td></tr> <tr> <td>Cost of sales</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">11 100</td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">120 000</td><td></td></tr> <tr> <td>Carriage inwards</td><td style="text-align: right;"><u>400 <b>(1)</b></u></td><td></td></tr> <tr> <td></td><td style="text-align: right;">131 500</td><td></td></tr> <tr> <td>Closing inventory</td><td style="text-align: right;"><u>12 000</u></td><td style="text-align: right;"><u>119 500 <b>(1) OF</b></u></td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;">108 400 <b>(1) OF</b></td></tr> <tr> <td>Commission receivable (2 200 + 800)</td><td></td><td style="text-align: right;">3 000 <b>(1)</b></td></tr> <tr> <td>Discount received</td><td></td><td style="text-align: right;"><u>1 400 **</u></td></tr> <tr> <td></td><td></td><td style="text-align: right;">112 800</td></tr> <tr> <td>Discount allowed</td><td style="text-align: right;">600 <b>(1) ** both</b></td><td></td></tr> <tr> <td>Insurance (9 600 – 700)</td><td style="text-align: right;">8 900 <b>(1)</b></td><td></td></tr> <tr> <td>Repairs (12 400 – 4 000)</td><td style="text-align: right;">8 400 <b>(1)</b></td><td></td></tr> <tr> <td>Salaries (53 900 + 4 900)</td><td style="text-align: right;">58 800 <b>(1)</b></td><td></td></tr> <tr> <td>Rates (6 000 – 300)</td><td style="text-align: right;">5 700 <b>(1)</b></td><td></td></tr> <tr> <td>Depreciation machinery (27 600 x 20%)</td><td style="text-align: right;"><u>5 520 <b>(1)</b></u></td><td style="text-align: right;"><u>87 920</u></td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;"><u><u>24 880 <b>(1) OF</b></u></u></td></tr> </tbody> </table>		\$	\$	Revenue		231 500	Sales returns		<u>3 600</u>			227 900 <b>(1)</b>	Cost of sales			Opening inventory	11 100		Purchases	120 000		Carriage inwards	<u>400 <b>(1)</b></u>			131 500		Closing inventory	<u>12 000</u>	<u>119 500 <b>(1) OF</b></u>	Gross profit		108 400 <b>(1) OF</b>	Commission receivable (2 200 + 800)		3 000 <b>(1)</b>	Discount received		<u>1 400 **</u>			112 800	Discount allowed	600 <b>(1) ** both</b>		Insurance (9 600 – 700)	8 900 <b>(1)</b>		Repairs (12 400 – 4 000)	8 400 <b>(1)</b>		Salaries (53 900 + 4 900)	58 800 <b>(1)</b>		Rates (6 000 – 300)	5 700 <b>(1)</b>		Depreciation machinery (27 600 x 20%)	<u>5 520 <b>(1)</b></u>	<u>87 920</u>	Profit for the year		<u><u>24 880 <b>(1) OF</b></u></u>	<b>12</b>
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1(c)	<p><b>Option 1 Credit</b> Only payback the original amount of \$6000/no interest (1) Credit may not be granted as already has an overdraft (1) Working capital/funds may be adequate provided trade receivables pay on time (1) Consider whether adequate funds will be available in 60 days (1) Working capital will be reduced (1) <b>Accept other valid points</b></p> <p><b>Max (2)</b></p> <p><b>Option 2 Loan</b> Interest each year will have to be paid (1) Interest will reduce profit each year (1) Consider whether funds will be available to repay the loan (1) Loan may not be granted as already has an overdraft (1) <b>Accept other valid points</b></p> <p><b>Max (2)</b></p> <p><b>Recommendation (1)</b></p>	5																																							

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2(b)	A balance on a purchase ledger account is transferred to an account for the <b>same business</b> in the sales ledger <b>(1)</b> Purchase ledger account is debited, and the sales ledger is credited <b>(1)</b>						2																														
2(c)	<div>MC</div> <div>Purchase ledger control account</div>						9																														



Question	Answer	Marks																																																
2(d)	<p>Reduce cost of goods/increase gross profit/lower selling price <b>(1)</b></p> <p>Reliability of new supplier/guaranteed supplier <b>(1)</b></p> <p>Must consider whether low price will be maintained/currency fluctuations <b>(1)</b></p> <p>Must consider whether goods will be of an acceptable quality <b>(1)</b></p> <p>Possible language differences/difficulty of communications <b>(1)</b></p> <p>May be more difficult in case of problems/disputes <b>(1)</b></p> <p>May experience delivery problems <b>(1)</b></p> <p>Contract is binding for one year <b>(1)</b></p> <p><b>Accept other valid points</b></p> <p><b>Max (4)</b></p> <p><b>Recommendation (1)</b></p>	5																																																
3(a)	<p style="text-align: center;">MG</p> <p style="text-align: center;">Cash book (bank columns only)</p> <table><tr><td>Date</td><td>Details</td><td>\$</td><td>Date</td><td>Details</td><td>\$</td></tr><tr><td>2022</td><td></td><td></td><td>2022</td><td></td><td></td></tr><tr><td>Aug 31</td><td>Balance b/d</td><td>25 600</td><td>Aug 31</td><td>RJ (dis cheque)</td><td>420 <b>(1)</b></td></tr><tr><td></td><td>Rates (SO)</td><td>50 <b>(1)</b></td><td></td><td>Insurance (DD)</td><td>110 <b>(1)</b></td></tr><tr><td></td><td></td><td></td><td></td><td>Bank charges</td><td>75 <b>(1)</b></td></tr><tr><td></td><td></td><td></td><td></td><td>Balance c/d</td><td><u>25 045</u></td></tr><tr><td></td><td></td><td><u>25 650</u></td><td></td><td></td><td><u>25 650</u></td></tr><tr><td>Sep 1</td><td>Balance b/d</td><td>25 045 <b>(1) OF</b></td><td></td><td></td><td></td></tr></table>	Date	Details	\$	Date	Details	\$	2022			2022			Aug 31	Balance b/d	25 600	Aug 31	RJ (dis cheque)	420 <b>(1)</b>		Rates (SO)	50 <b>(1)</b>		Insurance (DD)	110 <b>(1)</b>					Bank charges	75 <b>(1)</b>					Balance c/d	<u>25 045</u>			<u>25 650</u>			<u>25 650</u>	Sep 1	Balance b/d	25 045 <b>(1) OF</b>				5
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Question	Answer	Marks
3(b)	<div>MG</div> <div>Bank reconciliation statement at 31 August 2022</div> <div>\$</div> <div><div>Balance shown in cash book</div><div>25 045 (1) OF</div></div> <div><div>Add unpresented cheques JW</div><div><div><div><div><div></div><div>680</div><div>(1)</div></div></div><div></div></div></div><div>25 725</div></div> <div><div>Less uncredited deposits TH</div><div><div><div><div></div><div>910</div><div>(1)</div></div></div><div></div></div></div> <div>Balance shown on bank statement</div> <div><div><div><div></div><div>24 815</div><div>(1)</div></div></div><div></div></div> <div>Alternative presentation:</div> <div>\$</div> <div><div>Balance shown on bank statement</div><div>24 815 (1)</div></div> <div><div>Add uncredited deposits TH</div><div><div><div><div></div><div>910</div><div>(1)</div></div></div><div></div></div></div> <div>25 725</div> <div><div>Less unpresented cheques JW</div><div><div><div><div></div><div>680</div><div>(1)</div></div></div><div></div></div></div> <div>Balance shown in cash book</div> <div><div><div><div></div><div>25 045</div><div>(1) OF</div></div></div><div></div></div>	4
3(c)	<div>Identify/correct either errors or omissions in the cash book (1)</div> <div>Identify errors on the bank statement (1)</div> <div>Update the cash book/obtain correct bank balance (1)</div> <div>Assist in discovering fraud/deter or reduce risk of fraud (1)</div> <div>Identify amounts not credited (1)</div> <div>Identify cheques not presented (1)</div> <div>Identify out-of-date (stale) and dishonoured cheques (1)</div> <div>Accept other valid points</div> <div>Max 2</div>	

Question	Answer	Marks
3(d)	<p>Insufficient funds in the bank account <b>(1)</b>            No/incorrect signature <b>(1)</b>            No date <b>(1)</b>            No amount <b>(1)</b>            No payee <b>(1)</b>            Words and figures disagree <b>(1)</b></p> <p><b>Accept other valid points</b></p> <p><b>Max 2</b></p>	<b>2</b>
3(e)	<p>A standing order is when a person instructs their bank to pay a fixed sum at fixed intervals to another person <b>(1)</b>            A direct debit is when permission is given for a named person to collect an amount from their bank. The dates and amounts can vary <b>(1)</b></p> <p><b>Max 2</b></p>	<b>2</b>
3(f)	<p><b>Accept – Order</b>            Sales/revenues will increase <b>(1)</b>            May lead to future orders <b>(1)</b>            Increase in profit for the year <b>(1)</b>            Could lose order if no discount given <b>(1)</b>  <b>Accept other valid points</b></p> <p><b>Max 2</b></p> <p><b>Decline – Order</b>            Existing customers may request a similar discount <b>(1)</b>            Reduction in profit if discount given to all existing customers <b>(1)</b>            May damage relationship of existing customers <b>(1)</b>            Reduction in gross margin <b>(1)</b>  <b>Accept other valid points</b></p> <p><b>Max 2</b></p> <p><b>Recommendation (1)</b></p>	<b>5</b>

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Question	Answer						Marks
4(a)	PG Sales account						13
	Date 2022 Jul 31	Details	\$	Date 2022 Jul 31	Details	\$	
		Income statement	377 000 (1) OF		Trade receivables	360 000 (1)	
			<u>377 000</u>		Cash	<u>17 000 (1)</u>	
						<u>377 000</u>	
	Sales returns account						
	Date 2022 Jul 31	Details	\$	Date 2022 Jul 31	Details	\$	
		Trade receivables	<u>13 300 (1)</u>		Income statement	<u>13 300</u>	
			<u>13 300</u>			<u>13 300</u>	
	Trade receivables account						
Date 2021 Aug 1 2022 Jul 31	Details	\$	Date 2022 Jul 31	Details	\$		
	Balance b/d	28 500		Sales returns	13 300*		
				Bank	335 100*		
	Sales	360 000 (1)		Discount allowed	6 500*		
	Bank	4 000 (1)		Irrecoverable debts	900*		
		<u>392 500</u>		Balance c/d	<u>36 700</u>		
					<u>392 500</u>		
Aug 1	Balance b/d	36 700 (1) OF					
*1 mark for 2 correct items and 2 marks for 4 correct items							

Question	Answer						Marks
4(a)	Irrecoverable debts account						
	Date 2022 Jul 31	Details  Trade receivables	\$  <u>900</u> <u>900</u>	Date 2022 Jul 31	Details  Income statement	\$  <u>900</u> (1) <u>900</u>	
	Provision for doubtful debts account						
	Date 2022 Jul 31	Details  Balance c/d	\$  1 468  <u>1 468</u>	Date 2021 Aug 1 2022 Jul 31  Aug 1	Details  Balance b/d  Income statement  Balance b/d	\$  1 140 (1)  <u>328</u> (1) <u>1 468</u> 1 468 (1) OF	
4(b)	PG Extract from statement of financial position at 31 July 2022						2
	<u>Current assets**</u>	\$					
	Trade receivables	36 700 (1) OF					
	less provision for doubtful debts	<u>1 468</u> OF					
		35 232 OF ** (1)					
	**For heading + OF total						

Question	Answer	Marks
4(c)	Obtain (credit) references <b>(1)</b> Set credit limit <b>(1)</b> Sell for cash only / reduce credit sales <b>(1)</b> Issue invoices / statements of account promptly <b>(1)</b> Follow up with phone calls / emails etc <b>(1)</b> Improve or introduce credit control / hire a credit controller <b>(1)</b> Charge interest on late payment <b>(1)</b> Refuse further supplies until outstanding balance is paid <b>(1)</b> Increase level of cash discount <b>(1)</b> Last resort take legal action <b>(1)</b> <b>Accept other valid points</b>  <b>Max 3</b>	<b>3</b>
4(d)	Experience of late / non-payment <b>(1)</b> Specific knowledge of customers credit record / credit rating <b>(1)</b> Length of time debts outstanding / ageing schedule / trade receivables turnover <b>(1)</b> State of the local economy <b>(1)</b> <b>Accept other valid points</b>  <b>Max 2</b>	<b>2</b>

Question	Answer		Marks																																																			
5(a)	<div>Sian and Tom</div> <div>Profit and loss appropriation account for the year ended 31 March 2022</div> <table><tr><td></td><td>\$</td><td>\$</td></tr><tr><td>Profit for the year</td><td></td><td>59 190</td></tr><tr><td>add interest on drawings</td><td></td><td></td></tr><tr><td>Sian [240(1) + 90(1)]</td><td>330</td><td></td></tr><tr><td>Tom [300(1) + 180(1)]</td><td><u>480</u></td><td></td></tr><tr><td></td><td></td><td><u>810</u></td></tr><tr><td></td><td></td><td>60 000</td></tr><tr><td>less interest on capital</td><td></td><td></td></tr><tr><td>Sian (150 000 x 6%)</td><td>9 000 (1)</td><td></td></tr><tr><td>Tom (100 000 x 6%)</td><td><u>6 000 (1)</u></td><td></td></tr><tr><td></td><td></td><td><u>15 000</u></td></tr><tr><td></td><td></td><td>45 000</td></tr><tr><td>less partners salary Sian</td><td></td><td><u>20 000 (1)</u></td></tr><tr><td></td><td></td><td>25 000</td></tr><tr><td>Share of profits: Sian</td><td>15 000 }</td><td></td></tr><tr><td>Tom</td><td><u>10 000</u> }</td><td>(1) OF</td></tr><tr><td></td><td></td><td><u>25 000</u></td></tr></table>			\$	\$	Profit for the year		59 190	add interest on drawings			Sian [240(1) + 90(1)]	330		Tom [300(1) + 180(1)]	<u>480</u>				<u>810</u>			60 000	less interest on capital			Sian (150 000 x 6%)	9 000 (1)		Tom (100 000 x 6%)	<u>6 000 (1)</u>				<u>15 000</u>			45 000	less partners salary Sian		<u>20 000 (1)</u>			25 000	Share of profits: Sian	15 000 }		Tom	<u>10 000</u> }	(1) OF			<u>25 000</u>	8
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Question	Answer	Marks																																																																
5(b)	<div>Sian and Tom Statement of financial position (extract) at 31 March 2022</div> <table><tr><td></td><td>\$</td><td>\$</td><td>\$</td></tr><tr><td>Capital Sian</td><td></td><td></td><td>150 000</td></tr><tr><td>Tom</td><td></td><td></td><td><u>100 000</u></td></tr><tr><td></td><td></td><td></td><td>250 000 (1)</td></tr><tr><td>Current</td><td>Sian</td><td>Tom</td><td></td></tr><tr><td>Balance b/d</td><td>3 000</td><td>(7 000) (1) both</td><td></td></tr><tr><td>Interest on capital</td><td>9 000</td><td>6 000 (1) OF both</td><td></td></tr><tr><td>Salary</td><td>20 000 (1)</td><td>-</td><td></td></tr><tr><td>Profit</td><td><u>15 000</u></td><td><u>10 000 (1) OF</u></td><td></td></tr><tr><td></td><td><u>47 000</u></td><td><u>9 000</u></td><td></td></tr><tr><td>Drawings</td><td>14 000</td><td>22 000 (1)</td><td></td></tr><tr><td>Interest on drawings</td><td><u>330</u></td><td><u>480 (1) OF</u></td><td></td></tr><tr><td></td><td><u>14 330</u></td><td><u>22 480</u></td><td></td></tr><tr><td></td><td>32 670</td><td>(13 480)</td><td></td></tr><tr><td></td><td></td><td></td><td><u>19 190</u></td></tr><tr><td></td><td></td><td></td><td><u>269 190 (1) OF</u></td></tr></table>		\$	\$	\$	Capital Sian			150 000	Tom			<u>100 000</u>				250 000 (1)	Current	Sian	Tom		Balance b/d	3 000	(7 000) (1) both		Interest on capital	9 000	6 000 (1) OF both		Salary	20 000 (1)	-		Profit	<u>15 000</u>	<u>10 000 (1) OF</u>			<u>47 000</u>	<u>9 000</u>		Drawings	14 000	22 000 (1)		Interest on drawings	<u>330</u>	<u>480 (1) OF</u>			<u>14 330</u>	<u>22 480</u>			32 670	(13 480)					<u>19 190</u>				<u>269 190 (1) OF</u>	8
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5(c)	<p>The amount the partner owes to the partnership (1) Indicates that the partner's drawings are too high (1) Indicates that the partner's drawings are greater than the total profit share (1)</p> <p>Max 2</p>	2																																																																
5(d)	<p>Assumes the business will operate for an indefinite period of time (1) Assumes there is no intention to close the business down / reduce the size of the business significantly (1) Non-current assets are valued at net book value / not expected sales value (1)</p> <p>Accept other valid points</p> <p>Max 2</p>	2																																																																