



Cambridge International AS & A Level

ACCOUNTING

9706/22

Paper 2 Structured Questions

May/June 2022

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 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **17** 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.

**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.

ANNOTATIONS

The following annotations are used in marking this paper and should be used by examiners.

Annotation	Use or meaning
✓	Correct and relevant point made in answering the question.
×	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A	An extraneous figure
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure
Highlight	Highlight
Off page Comment	Off page comment

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Question	Answer	Marks																																																																																							
1(a)	<p style="text-align: center;">Karen and Lee Income statement for the year ended 28 February 2022</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td><td style="text-align: right;">\$</td><td style="text-align: right;">\$</td></tr> <tr> <td>Revenue</td><td style="text-align: right;">229 250</td><td></td></tr> <tr> <td>Less returns inwards (2200 + 410)</td><td style="text-align: right;"><u>(2 610)</u></td><td></td></tr> <tr> <td></td><td></td><td style="text-align: right;">226 640 (1)</td></tr> <tr> <td>Cost of sales</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">8 250</td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">151 440</td><td></td></tr> <tr> <td>Less returns outwards (3930 – 410)</td><td style="text-align: right;"><u>(3 520)</u></td><td></td></tr> <tr> <td></td><td style="text-align: right;">156 170</td><td></td></tr> <tr> <td>Carriage inwards</td><td style="text-align: right;"><u>3 880 (1)</u></td><td></td></tr> <tr> <td></td><td style="text-align: right;">160 050</td><td></td></tr> <tr> <td>Less closing inventory W1</td><td style="text-align: right;"><u>(21 080) (1)</u></td><td></td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>(138 970)</u></td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;">87 670 (1) OF</td></tr> <tr> <td>Less expenses</td><td></td><td></td></tr> <tr> <td>Administrative expenses</td><td style="text-align: right;">6020</td><td></td></tr> <tr> <td>Bank interest charges</td><td style="text-align: right;">180</td><td></td></tr> <tr> <td>Insurance W2</td><td style="text-align: right;">6 800 (1)</td><td></td></tr> <tr> <td>Loan interest (Lee) W3</td><td style="text-align: right;">200 (1)</td><td></td></tr> <tr> <td>Depreciation of non-current assets W4</td><td style="text-align: right;">20 800 (1)</td><td></td></tr> <tr> <td>Increase in provision for doubtful debts W5</td><td style="text-align: right;"><u>50 (1)</u></td><td></td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>(34 050)</u></td></tr> <tr> <td>Profit for year</td><td></td><td style="text-align: right;"><u>53 620 (1)</u></td></tr> <tr> <td>W1 Closing inventory</td><td></td><td></td></tr> <tr> <td></td><td style="text-align: right;">\$</td><td></td></tr> <tr> <td>Original valuation</td><td style="text-align: right;">21 220</td><td></td></tr> <tr> <td>Less reduction in valuation of damaged items</td><td></td><td></td></tr> <tr> <td>Cost 1320 less NRV 1180 (2480 – 1300)</td><td style="text-align: right;"><u>(140)</u></td><td></td></tr> <tr> <td></td><td style="text-align: right;"><u>21 080</u></td><td></td></tr> </table>		\$	\$	Revenue	229 250		Less returns inwards (2200 + 410)	<u>(2 610)</u>				226 640 (1)	Cost of sales			Opening inventory	8 250		Purchases	151 440		Less returns outwards (3930 – 410)	<u>(3 520)</u>			156 170		Carriage inwards	<u>3 880 (1)</u>			160 050		Less closing inventory W1	<u>(21 080) (1)</u>				<u>(138 970)</u>	Gross profit		87 670 (1) OF	Less expenses			Administrative expenses	6020		Bank interest charges	180		Insurance W2	6 800 (1)		Loan interest (Lee) W3	200 (1)		Depreciation of non-current assets W4	20 800 (1)		Increase in provision for doubtful debts W5	<u>50 (1)</u>				<u>(34 050)</u>	Profit for year		<u>53 620 (1)</u>	W1 Closing inventory				\$		Original valuation	21 220		Less reduction in valuation of damaged items			Cost 1320 less NRV 1180 (2480 – 1300)	<u>(140)</u>			<u>21 080</u>		9
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Question	Answer	Marks																								
1(a)	<p>W2 Insurance 7740 less prepaid 940 ($\frac{2}{3} \times 1410$) = \$6800</p> <p>W3 Loan interest (Lee) $6\% \times \\$10\,000 \times \frac{1}{3} = 200$</p> <p>W4 Depreciation of non-current assets $20\% \times \text{nbv } \\$104\,000 (\\$160\,000 - \\$56\,000) = \\$20\,800$</p> <p>W5 Increase in provision for doubtful debts $\\$310 - \\$260 = \\$50$</p>																									
1(b)	<div><div>Lee Current Account</div><table><tr><td></td><td>\$</td><td></td><td>\$</td></tr><tr><td>Balance b/d</td><td>1 880</td><td>Loan interest</td><td>200 (1)OF</td></tr><tr><td>Drawings</td><td>19 900 (1)</td><td>Share of profit</td><td>32 172 (1)OF</td></tr><tr><td>Balance c/d</td><td>10 592</td><td></td><td></td></tr><tr><td></td><td><u>32 372</u></td><td></td><td><u>32 372</u></td></tr><tr><td></td><td></td><td>Balance b/d</td><td>10 592 (1)OF</td></tr></table></div>		\$		\$	Balance b/d	1 880	Loan interest	200 (1)OF	Drawings	19 900 (1)	Share of profit	32 172 (1)OF	Balance c/d	10 592				<u>32 372</u>		<u>32 372</u>			Balance b/d	10 592 (1)OF	4
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Question	Answer	Marks																					
1(c)	<p>The current account balance will be reduced by \$4786 (6)</p> <p>Workings Recalculation of Lee's current account balance</p> <table border="1"> <tr> <td></td><td>\$</td><td></td></tr> <tr> <td>Opening balance</td><td>(1 880)</td><td></td></tr> <tr> <td>Loan interest</td><td>200</td><td>(1)OF</td></tr> <tr> <td>Drawings</td><td>(19 900)</td><td>(1)</td></tr> <tr> <td>Interest on drawings (10% x \$19 900)</td><td>(1 990)</td><td>(1)</td></tr> <tr> <td>Share of residual profits W1</td><td>29 376</td><td>(1)OF</td></tr> <tr> <td>Revised current account balance</td><td>5 806</td><td>(1)OF</td></tr> </table> <p>The current account balance will be reduced by (\$10 592 – \$5806 = \$4786 (1))</p> <p>W1 Share of profits 53 620 (OF) + 3740 – 8400 = 48 960 Lee's share of residual profit: $\frac{3}{5} \times \\$48\,960 = \\$29\,376$</p>		\$		Opening balance	(1 880)		Loan interest	200	(1)OF	Drawings	(19 900)	(1)	Interest on drawings (10% x \$19 900)	(1 990)	(1)	Share of residual profits W1	29 376	(1)OF	Revised current account balance	5 806	(1)OF	6
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Revised current account balance	5 806	(1)OF																					
1(d)	<ul style="list-style-type: none"> Fewer legal requirements (1) which means it has fewer costs (1) No requirement to publish financial statements (1) which means the partnership can keep its affairs private (1). No risk of dilution of ownership (1) there are less owners in a partnership (1) <p>Max 1 advantage (1 mark for the basic point + 1 for development) Accept other valid responses.</p>	2																					

Question	Answer	Marks
1(e)	<ul style="list-style-type: none"> Shareholders enjoy limited liability for debts In the case of a company being wound up (1), and they would only lose their investment in the company (1). Limited companies can access larger amounts of finance (1) through the issue of additional shares/debentures (1). <p>Max 2 advantages (1 mark for the basic point + 1 for development) Accept other valid responses.</p>	4
1(f)	<p>Reasons for (Max 2)</p> <ul style="list-style-type: none"> Will reduce cash outflows (1) Costs may be saved through less expenditure on storage/carriage inwards (1) Less chance of wastage/obsolescence of inventory (1) <p>Reasons against (Max 2)</p> <ul style="list-style-type: none"> Business could lose valuable trade discounts (1) Risk of running out of inventory of popular products (stock-outs) (1) Limited inventory for customers may affect reputation (1) <p>Advice (1)</p> <p>Accept other valid responses.</p>	5

Question	Answer	Marks
2(a)	<p>Technological change (1) Depletion (1) Time factor (1) Obsolescence (1) Economic factors (1) Inadequacy (1)</p> <p>Max 2 Accept other valid responses.</p>	2

Question	Answer	Marks																
2(b)	Accounting methods are applied in the same way in each accounting period (1) enabling valid comparison from year to year (1) Accept other valid responses. Max 2	2																
2(c)	<div>Journal</div> <table><tr><td></td><td>Dr \$</td><td>Cr \$</td><td></td></tr><tr><td>Property</td><td>350 000</td><td></td><td>(1)</td></tr><tr><td>Provision for depreciation W1</td><td>85 000</td><td></td><td>(1)</td></tr><tr><td>Revaluation reserve</td><td></td><td>435 000</td><td>(1)</td></tr></table> W1 Provision for depreciation: $2 \times 5\% \times \$850\,000 = \$85\,000$		Dr \$	Cr \$		Property	350 000		(1)	Provision for depreciation W1	85 000		(1)	Revaluation reserve		435 000	(1)	3
	Dr \$	Cr \$																
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2(d)	Depreciation charge: \$9639 (4) Workings Provision for depreciation is: Year 1 \$14 000; Year 2 ($10\% \times \$126\,000$), i.e. \$12 600 = \$26 600 Net value at time of sale: \$140 000 – \$26 600 = \$113 400 Net value after sale: 113 400 (1) – 17 010 (1) = \$96 390 (1) $\times 10\% = \$9639$ (1) Accept alternative presentations	4																

Question	Answer				Marks
2(e)	Motor vehicle disposal account				4
		\$		\$	
	Motor vehicle	40 000 (1)	Depreciation	8 000(1)	
			Motor vehicle	27 000(1)	
		Income statement	5 000(1)OF		
		<u>40 000</u>	<u>40 000</u>		

Question	Answer	Marks				
3(a)(i)	Trade payables turnover	3				
	<table><tr><td>Formula</td><td>Calculation</td></tr><tr><td>Trade payables × 365/Credit purchases (1)</td><td>$\frac{42000 \times 365}{480000 (1)} = 32 \text{ days (1)}$</td></tr></table>		Formula	Calculation	Trade payables × 365/Credit purchases (1)	$\frac{42000 \times 365}{480000 (1)} = 32 \text{ days (1)}$
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3(a)(ii)	Trade receivables turnover	3				
	<table><tr><td>Formula</td><td>Calculation</td></tr><tr><td>Trade receivables × 365/Credit sales (1)</td><td><p>Total sales 2.5 × \$420 000 = \$1 050 000</p>$\frac{30000 \times 365}{315000 (1)} = 35 \text{ days (1)}$</td></tr></table>		Formula	Calculation	Trade receivables × 365/Credit sales (1)	<p>Total sales 2.5 × \$420 000 = \$1 050 000</p> $\frac{30000 \times 365}{315000 (1)} = 35 \text{ days (1)}$
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Question	Answer	Marks																	
3(a)(iii)	<div>Return on capital employed (to two decimal places)</div> <table><tr><th>Formula</th><th>Calculation</th></tr><tr><td>$\frac{\text{Profit before interest} \times 100}{\text{Capital employed (Equity + Debentures)}} \text{ (1)}$</td><td><div>Profit before interest = \$182 000 + debenture interest \$20 000 = \$202 000</div>$\frac{202000 \text{ (1)}}{1532000} \times 100 = 13.19\% \text{ (1)}$</td><td>3</td></tr><tr><td>3(a)(iv)</td><td><table><tr><th>Formula</th><th>Calculation</th></tr><tr><td>$\frac{\text{Net revenue/net book value of non-current assets}}{\text{assets}} \text{ (1)}$</td><td>$1\,050\,000 / 1\,520\,000 = 0.69 \text{ times (1)}$</td></tr></table></td><td>2</td></tr><tr><td>3(b)</td><td><div>The ratio will inform the directors how efficiently assets are being used by the company to generate revenue (1). The low ratio is a cause for concern for the future growth of the business (1) OF</div><div>Accept other valid responses</div></td><td>2</td></tr><tr><td>3(c)</td><td><div><ul style="list-style-type: none">To assess the security of the investment (1) to decide whether to sell shares or make further investment (1)To assess the profitability of the company (1) to gauge future dividends (1)To compare results of different companies (1) to decide on investments (1)</div><div>Max 1 reason (1 mark for the basic point + 1 for development)</div><div>Accept other valid responses</div></td><td>2</td></tr></table>	Formula	Calculation	$\frac{\text{Profit before interest} \times 100}{\text{Capital employed (Equity + Debentures)}} \text{ (1)}$	<div>Profit before interest = \$182 000 + debenture interest \$20 000 = \$202 000</div> $\frac{202000 \text{ (1)}}{1532000} \times 100 = 13.19\% \text{ (1)}$	3	3(a)(iv)	<table><tr><th>Formula</th><th>Calculation</th></tr><tr><td>$\frac{\text{Net revenue/net book value of non-current assets}}{\text{assets}} \text{ (1)}$</td><td>$1\,050\,000 / 1\,520\,000 = 0.69 \text{ times (1)}$</td></tr></table>	Formula	Calculation	$\frac{\text{Net revenue/net book value of non-current assets}}{\text{assets}} \text{ (1)}$	$1\,050\,000 / 1\,520\,000 = 0.69 \text{ times (1)}$	2	3(b)	<div>The ratio will inform the directors how efficiently assets are being used by the company to generate revenue (1). The low ratio is a cause for concern for the future growth of the business (1) OF</div> <div>Accept other valid responses</div>	2	3(c)	<div><ul style="list-style-type: none">To assess the security of the investment (1) to decide whether to sell shares or make further investment (1)To assess the profitability of the company (1) to gauge future dividends (1)To compare results of different companies (1) to decide on investments (1)</div> <div>Max 1 reason (1 mark for the basic point + 1 for development)</div> <div>Accept other valid responses</div>	2
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Question	Answer	Marks
4(a)(i)	Charging overheads/costs to a specific cost centre (1) where those overheads are clearly identified with that cost centre (1) OR Overheads expenses are directly attributed (1) to a specific cost centre (1)	2
4(a)(ii)	Charging overheads/costs that cannot be clearly identified with a specific cost centre (1) to cost centres on an appropriate basis. (1) OR Overhead expenses are shared between different departments (1) by using a suitable basis (1)	2
4(b)	<ul style="list-style-type: none"> Useful for determining a selling price (1) Avoids separating fixed and variable costs (1) <p>Accept other valid responses Max 1</p>	1
4(c)	<p>Not useful for short-term decision-making (1) Not appropriate for monitoring the performance of managers/responsibility accounting (1)</p> <p>Accept other valid responses Max 1</p>	1

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Question	Answer						Marks
4(d)		Production departments		Service departments			3
		Assembly department	Finishing department	Stores department	Maintenance department		
		\$	\$	\$	\$		
	Total overhead costs	275 000	103 200	19 200	26 700		
	Maintenance	16 020	8 010	2 670	(26 700)	(1)	
	Subtotal	291 020	111 210	21 870	--		
	Stores	16 403	5 467	(21 870)		(1)OF	
	Total	307 423	116 677	--		(1)OF	
4(e)(i)	Assembly department: $\$307\,422.5/1430$, i.e. $\$214.98$ (1) OF per machine hour (1)						2
4(e)(ii)	Finishing department: $\$116\,677.5/840$, i.e. $\$138.90$ (1) OF per labour hour (1)						2
4(f)	Overheads absorbed: $1310 \times \$214.98 = \$281\,623.8$ (1) OF Actual overheads $\$285\,400$ less absorbed $\$281\,623.80 = \3776.2 (1) OF under-absorbed (1)						3

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Question	Answer	Marks												
4(g)(i)	<p>Option A</p> <p>\$41 000 (4)</p> <p>Workings</p> <table border="1"> <tr> <td></td><td>\$</td><td></td></tr> <tr> <td>Contribution (12 000 (1) × \$9 (1))</td><td>108 000</td><td></td></tr> <tr> <td>Fixed costs (\$40 000 + \$24 000 + \$3000)</td><td>67 000</td><td>(1)</td></tr> <tr> <td>Profit</td><td>41 000</td><td>(1)OF</td></tr> </table> <p>Accept alternative approaches.</p>		\$		Contribution (12 000 (1) × \$9 (1))	108 000		Fixed costs (\$40 000 + \$24 000 + \$3000)	67 000	(1)	Profit	41 000	(1)OF	4
	\$													
Contribution (12 000 (1) × \$9 (1))	108 000													
Fixed costs (\$40 000 + \$24 000 + \$3000)	67 000	(1)												
Profit	41 000	(1)OF												

Question	Answer				Marks
4(g)(ii)	Option B				3
	\$46 400 (3)				
	Workings				
			\$		
	Product X	8000 units × (\$22.8 – Variable cost \$15, i.e. \$7.8)	62 400		
		Less fixed costs	(40 000)		
		Profit	22 400	(1)	
	Product Z	4000 units × \$12	48 000		
		Less fixed costs	24 000		
			24 000	(1)	
		Total profit	46 400	(1)	
	Accept alternative approaches.				

Question	Answer	Marks
4(h)	<p>Option A (Max 3)</p> <ul style="list-style-type: none"> • Will ensure major customer will continue to order in future (1) • How will customers for Product Z react - will their future orders be lost? (1) • Produces less profit (1) • Can training be implemented in time without loss of production (1) <p>Option B (Max 3)</p> <ul style="list-style-type: none"> • Will enable orders of other regular customers to be met (1) • Produces more profit (1) • Will the price cut actually produce the required level of sales of product X now and in the future (1)? • Reaction of competitors (1) • Is there a danger of losing a regular customer (1) <p>Advice (1) Accept other valid responses</p>	7