Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/23**

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.

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

Question	Answer	Marks
1(a)	Profit from operations = 99 400 + (8% × 120 000) = 99 400 + 9600 **(1)** =$109 000 **(1) OF**	**2**
1(b)	Number of shares at 31 December: 4 × 480 000 = 1 920 000 **(1)** Shares issued 1 July: 1/3 × 1 920 000 = 640 000 **(1)** Amount raised: 640 000 × $0.35 = $224 000 **(1) OF**	**3**
1(c)	K Limited Statement of changes in equity for the year ended 31 December 2021	**7**

	Share capital		Share premium		Retained earnings		Total	
	$		$		$		$	
Balances at 1 January 2021	320 000	**(1)OF**	26 000	**(1)OF**	133 000		479 000	
Rights issue	160 000	**(1)**	64 000	**(1)OF**			224 000	
Profit for year					99 400	**(1)**	99 400	
Dividends paid					(96 000)	**(1)**	(96 000)	
Balances at 31 December 2021	480 000		90 000		136 400		706 400	**(1)OF**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>
K Limited
Statement of financial position at 31 December 2021
<table>
<tr><td>Assets</td><td>$</td><td></td></tr>
<tr><td>Non-current assets</td><td>790 000</td><td>(1)</td></tr>
<tr><td>Current assets</td><td></td><td></td></tr>
<tr><td>Inventory</td><td>49 400</td><td></td></tr>
<tr><td>Trade and other receivables</td><td>20 300</td><td></td></tr>
<tr><td></td><td>69 700</td><td>(1)</td></tr>
<tr><td>Total assets*</td><td>859 700</td><td></td></tr>
<tr><td>Equity and liabilities</td><td></td><td></td></tr>
<tr><td>Equity</td><td></td><td></td></tr>
<tr><td>Share capital</td><td>480 000</td><td></td></tr>
<tr><td>Share premium</td><td>90 000</td><td></td></tr>
<tr><td>Retained earnings</td><td>136 400</td><td></td></tr>
<tr><td>Total equity</td><td>706 400</td><td>(1) OF</td></tr>
<tr><td>Liabilities</td><td></td><td></td></tr>
<tr><td>Current liabilities</td><td></td><td></td></tr>
<tr><td>8% Debentures (2022)</td><td>120 000</td><td>(1)</td></tr>
<tr><td>Trade and other payables</td><td>28 600</td><td>(1)</td></tr>
<tr><td>Bank overdraft</td><td>4 700</td><td>(1)</td></tr>
<tr><td>Total liabilities</td><td>153 300</td><td></td></tr>
<tr><td>Total equity and liabilities*</td><td>859 700</td><td></td></tr>
</table>
(1) *For labelling each statement total
</td><td>7</td></tr>
<tr><td>1(e)(i)</td><td>Revenue reserve: profits arising from trading activities (1) retained in the business (1).

Accept other valid responses.</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(e)(ii)	Capital reserve: profits arising from non-trading activities **(1)** which are not available for distribution to shareholders in the form of dividends **(1)** **Accept other valid responses.**	**2**
1(f)	**Rights issue (Max 3)** Permanent source of capital / does not have to be repaid / increases capital (**1)** Dividend payments are optional **(1)** No security required **(1)** Will it be successful (rights issues made in previous year) **(1)** **Debenture issue (Max 3)** Temporary source of finance / must be repaid / will increase liabilities **(1)** Security may be required **(1)** Interest charges will reduce profits / interest must be paid **(1)** Will not dilute ownership **(1)** Decision **(1)** **Accept other valid responses**	**7**

Question	Answer	Marks
2(a)(i)	Matching concept: **Definition:** cost and revenues for the period are matched irrespective of actual receipts and payments. **(1)** **Example:** an accrual must be made for an expense incurred in the period but not paid for. **(1)** **Accept other valid examples.**	**2**
2(a)(ii)	Going concern concept: **Definition:** the assumption that a business will continue trading for the foreseeable future **(1)** **Example:** Non-current assets are valued at net book value rather than market value. **(1)** **Accept other valid examples.**	**2**

Question	Answer	Marks
2(a)(iii)	Materiality concept: **Definition:** information is material if its omission or misstatement could influence the decisions of users of financial statements **(1)**. **Example:** classifying a low value non-current asset as revenue expenditure **(1)** **Accept other valid examples.**	2
2(b)	Journal (see below)	2
2(c)	Rent receivable account (see below)	4
2(d)	Provision for depreciation of equipment account (see below)	3

2(b) Journal

	Debit $	Credit $	
Irrecoverable debts	730		**(1)**
JD Supplies		730	**(1)**

2(c) Rent receivable account

	$			$	
Balance b/d	1 200	**(1)**	Bank	9 000	**(1)**
Income statement	6 675	**(1) OF**			
Balance c/d	1 125				
	9 000			9 000	
			Balance b/d	1 125	**(1)**

2(d) Provision for depreciation of equipment account

	$		$	
Balance c/d	11 712	Balance b/d	8 640	**(1)**
		Income statement	3 072	**(1)**
	11 712		11 712	
		Balance b/d	11 712	**(1) OF**

Question	Answer	Marks
3(a)	Purchases ledger control account	5

	$			$	
Balance b/d	320	**(1) both**	Balance b/d	23 490	
Returns outwards	3 770	**(1) both**	Purchases	212 480	
Bank	202 950	**(1) both**			
Discounts received	4 920				
Contras	810	**(1)**			
Balance c/d	23 200				
	235 970			235 970	
			Balance b/d	23 200	**(1)OF**

3(b)(i) — Marks: **3**

	$	
Incorrect total	25 310	
Less irrecoverable debt	(90)	**(1)**
Less returns in	(1 390)	**(1)**
	23 830	**(1)OF**

3(b)(ii) — Marks: **4**

	$	
Incorrect total	23 980	
Less irrecoverable debt	(90)	**(1)**
Add understated balance	120	**(1)**
Less credit note error	(180)	**(1)**
	23 830	**(1)OF**

Question	Answer	Marks
3(c)	Commission **(1)** Omission **(1)** Original entry **(1)** Compensating error **(1)** **Max 3**	**3**

Question	Answer	Marks
4(a)	no changes in levels of inventory **(1)** a single product/ constant mix is made **(1)** costs are either fixed or variable/semi-variable costs are not considered **(1)** total fixed costs remain unchanged/stepped costs are ignored **(1)** variable cost per unit remain perfectly linear **(1)** selling price per unit does not change **(1)** **Max 4** **Accept other valid responses.**	**4**
4(b)(i)	Margin of safety in units: Sales in units less Break-even point in units **(1)**	**1**
4(b)(ii)	Margin of safety in sales value: (Sales in units– Break-even point in units) × Selling price per unit **(1)**	**1**
4(c)	Variable costs: Direct materials \$15 + Direct labour \$19 = \$34 **(1)** Contribution: Selling price \$48 – Variable costs \$34 = \$14 **(1)** Break-even = $\frac{\$66\,000}{\$14}$ = 4715 **(1) OF** Margin of safety: 8000 – 4715 = 3285 **(1) OF**	**4**

Question	Answer	Marks
4(d)	New material cost: 3.15kg **(1)** × \$3.60 **(1)** = \$11.34 New variable costs: \$11.34 + \$19 + \$0.50 commission = \$30.84 **(1) OF** New contribution: \$47.28 **(1)** - \$30.84 = \$16.44 **(1) OF** New break-even point: $\frac{\$66\,500\ \mathbf{(1)}}{\$16.44}$ = 4046 units **(1) OF** Decrease in break-even point = 4715 – 4046 = 669 **(1) OF**	**8**
4(e)(i)	Option A \$ 10 000 units × \$17 — 170 000 **(1)** Less Fixed costs + \$2 200 — 130 200 **(1)** 39 800 **(1) OF**	**3**
4(e)(ii)	Option B \$ 8 500 units × \$17 — 144 500 **(1)** 5 500 units × (\$5 – \$1.80, i.e. \$3.20) — 17 600 **(1)** 162 100 Less Fixed costs \$128 000 + \$6 000 storage costs — 134 000 **(1)** 28 100 **(1) OF**	**4**
4(f)	**Option A (max 2)** Produces larger profit **(1)** Will advertising campaign be successful? **(1)** Effect on workforce of reduced production **(1)** **Option B (max 2)** Produces less profit **(1)** Will goods deteriorate while stored? **(1)** Effect on existing customers of offering special price **(1)** Decision **(1)** **Accept other valid responses**	**5**