Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/21**

Paper 2 Structured Questions **May/June 2020**

MARK SCHEME

Maximum Mark: 90

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.

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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.

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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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Question	Answer	Marks
1(a)	Profits and losses should be shared equally **(1)** among partners	**1**
1(b)	Avoidance of disputes **(1)**. The deed usually states management responsibilities **(1)** and also agreed limits on drawings and agreed amounts of fixed capital **(1)**. Ensure partners are properly rewarded (or penalised) for their contributions **(1)**. The deed may include rewards for partners who have undertaken more management responsibilities/provided more capital/and penalised partners whose drawings have been the most **(1)** **Max 2 reasons (2 marks per reason, 1 mark for identifying + 1 mark for developing)** **Accept other valid responses**	**4**
1(c)	Hamza and Noor Income statement for year ended 31 December 2019 | | $ | $ | | | Revenue | | 45 400 | | | Less: | | | | | Administrative expenses **W1** | 17 070 | | **(2)OF** | | Wages of assistant **W2** | 15 750 | | **(2)OF** | | Interest on loan from Hamza | 600 | | **(1)** | | Loss on disposal of equipment **W3** | 920 | | **(2)OF** | | Depreciation | | | | | Equipment **W4** | 1 350 | | **(2)OF** | | Motor vehicle | 2 560 | | **(1)** | | | | (38 250) | | | Profit for year | | 7 150 | **(1)OF** | **W1** Administrative expenses $18 270 – $1 200 **(1)** = $17 070 **(1)OF** **W2** Wages of assistant $15 540 + $210 **(1)** = $15 750 **(1)OF** **W3** Loss on disposal of equipment $2000 – $600 = $1 400 **(1)** – $480 = $920 **(1)OF** $1 400 – 480 = loss $920 **W4** Depreciation of equipment 15% × ($11 000 – 2 000) **(1)** = $1 350 **(1)OF**	**11**

Question	Answer	Marks
1(d)	Appropriation account for the year ended 31 December 2019 $ $ Profit for the year 7 150 Add interest on drawings Hamza : 10% × $2 900 290 **(1)** 7 440 Less: salary (Noor) 11 000 **(1)** (3 560) Shares of residual loss Hamza ($\frac{3}{5}$ × $3 560) 2 136 **(1)OF** Noor ($\frac{2}{5}$ × $3 560) 1 424 **(1)OF** (3 560)	**4**
1(e)	Calculation of Hamza's current account balance $ Opening balance (dr) (1 290) Add loan interest 600 **(1)OF** Less interest on drawings (290) **(1)OF** Less drawings (16 900) **(1)** Less share of residual loss (2 136) **(1)OF** Closing balance (20 016) **(1)OF** Note: **OF** for closing balance only awarded if negative opening balance taken into account.	**5**

Question	Answer	Marks
1(f)	Advice **(1)** **Option 1 (maximum 2 marks)** Potential benefits • Permanent source of finance/no security required **(1)** • May bring new ideas/skills **(1)** • Shared management responsibilities **(1)** Potential drawbacks • May not be possible to find a suitable partner **(1)** • Risk of disagreements **(1)** • Profits will have to be shared **(1)** **Option 2 (maximum 2 marks)** Potential benefits • Profits still shared by the two partners **(1)** • Fixed interest rate will aid planning **(1)** Potential drawbacks • Interest charges will reduce profits **(1)** • May not be able to obtain bank loan **(1)** • Have too little collateral to offer for size of loan **(1)** **Accept over valid responses**	**5**

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Question	Answer	Marks
2(a)	(i) Trade payables turnover (in days) Trade payables/Credit purchases $\times 365$ **(1)** $\frac{10\,400}{120\,120} \times 365 = 32$ days **(1)** (ii) Trade receivables turnover (in days) Trade receivables/Credit sales $\times 365$ **(1)** $\frac{9\,300}{\left(\frac{2}{3} \times 145\,500\right)} \times 365 = 35$ days **(1)** (iii) Current ratio Current assets : current liabilities **(1)** 28 100:18 400 = 1.53:1 **(1)**	**6**
2(b)	• She is paying trade payables more quickly than before **(1)** – by 2 days **(1)OF** • Trade receivables are paying more slowly than before **(1)** – by 3 days **(1)OF** • Trade payables used to be paid more slowly than trade receivables paid Ayesha; now the position is reversed **(1)** – there was a favourable gap of 2 days, now the gap is adverse by 3 days **(1)** • The current ratio has weakened so that the business will it more difficult than before to meet its immediate obligations **(1)** • A bank loan is due for repayment within the next twelve months. The business may find it difficult to meet the repayment date **(1)**. If this obligation cannot be met the business is at risk of assets being seized **(1)** **Max 7** **Accept other valid points.**	**7**

Question	Answer	Marks
2(c)	Same type of ownership **(1)** Same trade **(1)** Similar size **(1)** Same business cycle **(1)** **Max 2 marks** **Accept other valid responses**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Commission (1)
Reversal (1)
Omission (1)
Principle (1)
Original entry (1)
Compensating (1)
Max 2</td><td>2</td></tr>
<tr><td>3(b)</td><td>
<table>
<tr><td colspan="5">General Journal</td></tr>
<tr><td></td><td></td><td>Dr</td><td>Cr</td><td></td></tr>
<tr><td></td><td></td><td>$</td><td>$</td><td></td></tr>
<tr><td>1</td><td>Sales returns</td><td>90</td><td></td><td rowspan="2">(1)</td></tr>
<tr><td></td><td>Suspense</td><td></td><td>90</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>2</td><td>Suspense</td><td>870</td><td></td><td rowspan="2">(1)</td></tr>
<tr><td></td><td>Purchases</td><td></td><td>870</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>3</td><td>Suspense</td><td>360</td><td></td><td>(1)</td></tr>
<tr><td></td><td>Discounts allowed</td><td></td><td>180</td><td>(1)</td></tr>
<tr><td></td><td>Discounts received</td><td></td><td>180</td><td>(1)</td></tr>
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</td><td>5</td></tr>
</table>

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Question	Answer	Marks
3(c)	Suspense Account | | $ | | | $ | | Purchases | 870 | **(1)** | Difference in TB totals | 1 140 | **(1)** | | Discounts allowed | 180 | **(1)** | Sales returns | 90 | **(1)** | | Discounts received | 180 | | | | | | 1 230 | | | 1 230 | Do not accept a single debit entry for $360 in a discounts account.	**4**
3(d)	Corrected profit for year ended 30 September 2019 | | $ | | | Draft profit | 68 440 | | | Less sales returns | (90) | **(1)** | | Add reduction in purchases | 870 | **(1)** | | Add change to discounts | 360 | **(1)OF** | | Corrected profit | 69 580 | **(1)OF** |	**4**

Question	Answer	Marks
4(a)	• Takes account of fixed costs when determining product cost **(1)**; as a result is useful in setting a selling price for a product **(1)**. • Avoids separating fixed costs from variable costs **(1)** which can be difficult and so lead to inaccuracies **(1)** • As it takes account of all costs it conforms to the matching principle **(1)** which requires costs to be matched to revenues for a period **(1)** • As it takes account of all costs **(1)** it is the recognised method for inventory valuation **(1)** **Max 3 advantages** **Each advantage 1 mark for main point + 1 mark for development.** **Accept other valid responses.**	**6**

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Question	Answer	Marks

4(b) — **7**

	Total	Baking department	Decoration Department	Stores	Maintenance	
		$	$	$	$	
Budgeted overheads already apportioned	*57 620*	*38 530*	*14 150*	*2 800*	*2 140*	
Machinery depreciation	33 600	19 800	6 000	2 400	5 400	**(1)**
Power	45 500	28 600	11 700	1 300	3 900	**(1)**
Lighting and heating	18 000	10 250	5 750	1 500	500	**(1)**
Total overheads	154 720	97 180	37 600	8 000	11 940	
Reapportionment of first service department overheads		5 120	1 920	(8 000)	960	**(1)OF**
Subtotal		102 300	39 520	--	12 900	
Reapportionment of second service department overheads		7 500	5 400	--	(12 900)	**(1)OF**
Total overheads		109 800	44 920	--	--	
		(1)OF	**(1)OF**			

4(c) — **4**

Overhead absorption rates

Baking department: $\frac{\$109\,800}{86\,400\,(\mathbf{1})} = \$1.27$ per machine hour **(1)OF**

Decoration department: $\frac{\$44\,920}{51000\,(\mathbf{1})} = \$0.88$ per labour hour **(1)OF**

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Question	Answer	Marks
4(d)	Overheads may be under-absorbed because: actual overheads exceed forecast overheads **(1)**; actual production is less than forecast production **(1)** calculation error **(1)**. **Max 2** **Accept other valid responses**	**2**
4(e)	Profit when offer is accepted Contribution from usual production: \$49 – 25 = \$24 **(1)** Contribution from offer: \$45 – 25 = \$20 **(1)** Fixed costs are: \$12 × 850 = \$10 200 Contribution from usual production: 570 units × \$24 = \$13 680 **(1)OF** Contribution from offer: 280 × \$20 = \$5 600 **(1)OF** Profit: Contribution \$19 280 – \$10 200 **(1)** = \$9 080 **(1)OF**	**6**
4(f)	Advice **(1)** Accept the offer The company will make more profit in April than had been forecast **(1)**. Profit in April would have been: (680 units × \$24)**(1)** – \$10 200, i.e. \$6 120 **(1)** The company will be in full production **(1)** avoiding cancellation of orders for materials which might cause a deterioration in relationships with suppliers **(1)**, avoiding laying off staff which could affect morale **(1)**, avoiding machinery lying idle which could affect their efficiency **(1)** **Max 2 marks** **Accept other valid points.** Not accept the offer The company will have to reduce its usual output **(1)** which could mean that some regular customers' orders are not fulfilled **(1)** leading to a possible long-term loss of their custom **(1)** and a loss of profit if the special offer is not repeated **(1)**.	**5**

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Question	Answer	Marks
4(f)	The directors need to consider whether the order can be produced to the quality expected **(1)**, whether the labour force have the appropriate skills for the products if they vary from the normal output **(1)** and whether the machinery is capable of producing the products if they vary from the normal output **(1)**. **Max 2 marks** **Accept other valid points.**	