Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/21**

Paper 2 Structured Questions **October/November 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 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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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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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).

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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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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)	Y Limited Income statement for the year ended 30 June 2022 $ Revenue 607 750 **(1)** Cost of sales **W1** 321 470 **(3)** Gross profit 286 280 **(1) OF** Administrative expenses **W2** 92 230 **(5)** Distribution costs **W3** 85 760 **(3)** Profit from operations 108 290 Finance costs 3 600 **(1)** Profit for the year 104 690 **(1) OF** Workings: **W1**: Cost of sales: Opening inventory 105 600 **(1)** Purchases 338 200 **all** Carriage inwards 4 310 **three** 448 110 Closing inventory 126 640 **(1)** 321 470 **(1) OF** **W2**: Administrative expenses $89 540 – 1200 **(1)** + $490 **(1)** + $170 **(1)** + $3230 **(1)** = $92 230 **(1) OF** **W3**: Distribution costs $72 910 + $850 **(1)** + $12 000 **(1)** = $85 760 **(1) OF**	**15**

Question	Answer	Marks
1(b)	Y Limited Statement of financial position at 30 June 2022 $ Non-current assets Delivery vehicles 62 000 Office equipment 29 070 91 070 **(1)** Current assets Inventory 126 640 Trade and other receivables **W1** 90 240 **(2)** 216 880 Total Assets* 307 950 Equity and liabilities Share capital 80 000 Retained earnings **W2** 115 210 **(2) OF** 195 210 Non-current liabilities 6% Debenture (2025–2026) 60 000 **(1)** Current liabilities Bank overdraft 1 440 **(1)** Trade and other payables **W3** 51 300 **(2)** 52 740 Total equity and liabilities* 307 950 **(1) ***for labelling each statement total Workings **W1** Trade and other receivables: $89 040 **(1)** + $1200 **(1)** = $90 240 **W2** Retained earnings: [$16 920 + $104 690 (OF)] = $121 610 **(1) OF** – $6400 **(1)** = $115 210 **W3** Trade and other payables: $48 650 **(1)** + ($850 + $1800) $2650 **(1)** = $51 300	**10**

Question	Answer	Marks
1(c)	**Justification (max 4 marks)** • The rights issue would raise the $60 000 required to repay the debentures. **(1)** • Would rights issue be fully subscribed? **(1)** • Payment of dividends on ordinary shares is discretionary **(1)** • Would avoid the payment of interest. **(1)** • Repayment would increase profit for the year by $3600 **(1)** • But if finance required in the future would interest be more than 6%? **(1)** • But debenture is not repayable for another 3 years. **(1)** Decision **(1)** **Accept other valid responses.**	**5**

Question	Answer	Marks
2(a)		**9**

Delivery Vehicles – Cost

Date 2021	Details	$	Date 2021	Details	$
Jul 1	Balance b/d	52 000	Oct 1	Disposal account	18 000
Oct 1	Bank	14 500 **(1)**	2022 Jun 30	Balance c/d	60 000
	Disposal account	11 500 **(1)**			
		78 000			78 000
2022 Jul 1	Balance b/d	60 000 **(1)OF**			

Delivery Vehicles – Provision for Depreciation

Date 2021	Details	$	Date 2021	Details	$
Oct 1	Disposal account	8 100 **(1)**	Jul 1	Balance b/d	14 000
2022 Jun 30	Balance c/d	17 500	2022 30 Jun	Income statement	11 600 **(1)**
		25 600			25 600
			Jul 1	Balance b/d	17 500 **(1)OF**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Disposal Account
<table>
<tr><th>Date 2021</th><th>Details</th><th></th><th>Date 2021</th><th>Details</th><th>$</th></tr>
<tr><td>Oct 1</td><td>Delivery vehicles - cost</td><td>18 000 (1)</td><td>Oct 1</td><td>Delivery vehicles - cost</td><td>11 500</td></tr>
<tr><td></td><td>Income statement</td><td>1 600 (1)OF</td><td></td><td>Delivery vehicles – provision for depreciation</td><td>8 100 (1)OF</td></tr>
<tr><td></td><td></td><td>19 600</td><td></td><td></td><td>19 600</td></tr>
</table></td><td></td></tr>
<tr><td>2(b)</td><td>To match the expense of depreciation with the revenue generated during that accounting period (1) in accordance with the matching concept (1).

Accept other valid responses.</td><td>2</td></tr>
<tr><td>2(c)</td><td>Capital expenditure is expenditure on non-current assets (1) whereas revenue expenditure is day-to-day running costs (1)
Or
Capital expenditure appears on the statement of financial position (1) whereas revenue expenditure appears on the income statement (1)</td><td>2</td></tr>
<tr><td>2(d)(i)</td><td>Capital introduced / Cash introduced / Sale proceeds from disposal of non-current asset / Receipt of loan finance

Accept other valid responses.</td><td>1</td></tr>
<tr><td>2(d)(ii)</td><td>Rents received / Interest received / Commission received / Sales of goods / Fees received / Discounts received

Accept other valid responses.</td><td>1</td></tr>
</table>

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Question	Answer	Marks
3(a)	Journal	**10**

	Account	Debit $	Credit $	
1	Dividends paid	24 000		**(1)**
	Bank		24 000	**(1)**
2	Bank	96 000		**(1)**
	Share capital		80 000	**(1)**
	Share premium		16 000	**(1)**
3	Dividends paid	11 200		**(1)**
	Bank		11 200	**(1)**
4	Share premium	66 000		**(1)**
	Retained earnings	4 000		**(1)**
	Share capital		70 000	**(1)**

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Question	Answer	Marks
3(b)	Enables the company to liquidate capital reserves that cannot be used to pay dividends. **(1)** Enables the company to match long-term assets with long-term capital. **(1)** Issued in place of cash/dividends when need to preserve cash **(1)** It is less expensive than a rights issue or a new share issue. **(1)** **Max 3 marks** **Accept other valid responses.**	**3**
3(c)	Shareholders have no voting rights. **(1)** Shareholders receive priority in dividend payment over ordinary shareholders. **(1)** Shareholders receive a fixed rate of dividend. **(1)** **Max 2 marks** **Accept other valid responses.**	**2**

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Question	Answer	Marks
4(a)(i)	Costs that vary in direct proportion to the level of activity **(1)** **Accept other valid responses.**	**1**
4(a)(ii)	Costs that remain the same irrespective of the level of activity. **(1)** **Accept other valid responses.**	**1**
4(a)(iii)	Costs that are partly fixed and partly variable. **(1)** **Accept other valid responses.**	**1**
4(b)	<table><tr><td></td><td></td><td>$</td><td></td></tr><tr><td>Ess</td><td>41.50 × 80</td><td>3 320</td><td></td></tr><tr><td>Tee</td><td>45.00 × 50</td><td>2 250</td><td></td></tr><tr><td>Ewe</td><td>55.20 × 75</td><td>4 140</td><td></td></tr><tr><td>Contribution</td><td></td><td>9 710</td><td>**(1)**</td></tr><tr><td>Fixed overheads</td><td></td><td>2 870</td><td>**(1)**</td></tr><tr><td>Profit</td><td></td><td>6 840</td><td>**(1) OF**</td></tr></table>	**3**
4(c)	400 + 300 + 600 = 1300 metres **(1)**	**1**

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Question	Answer	Marks
4(d)		**6**

	Ess	Tee	Ewe	
Contribution per unit	$41.50	$45.00	$55.20	
Metres per unit	5	6	8	
Contribution per metre	$8.30	$7.50	$6.90	**(1)**
Ranking	1	2	3	**(1)**

Production plan

		$	
Ess	80 × $41.50	3 320.00	
Tee	50 × $45.00	2 250.00	
Ewe	37**(1)** × $55.20	2 042.40	
Contribution		7 612.40	**(1) OF**
Fixed overheads		2 870.00	**(1)**
Profit		4 742.40	**(1) OF**

Question	Answer	Marks
4(e)	**If Mandeep does purchase from the overseas supplier (Max 3)** • Enables full maximum demand to be met. **(1)** • Will result in cost saving of $1300 per month. **(1)** • Will ensure no idle time. **(1)** But: • Will quality be up to Mandeep's expectation? **(1)** • Will delivery be guaranteed on time? **(1)** • Will exchange rates affect the quoted price? **(1)** • Does price quoted include delivery / customs charges? **(1)** **If Mandeep does not purchase from the overseas supplier (Max 3)** • Cannot meet maximum demand. **(1)** • May affect sales of the other products. **(1)** • Will result in lost revenue and profit. **(1)** • May result in redundancies. **(1)** **Decision (1)** **Accept other valid responses.**	**7**
4(f)	$$\begin{array}{lrl} & \$ & \\ \text{Direct material} & 28.80 & \\ \text{Direct labour – Machining} & 18.00 & \textbf{(1)} \\ \text{Direct labour Assembly} & 24.00 & \\ \text{Overheads – Machining} & 20.25 & \textbf{(1)} \\ \text{Overheads – Assembly} & 13.80 & \textbf{(1)} \\ \text{Total cost} & 104.85 & \\ \text{Margin} & 26.21 & \textbf{(1) OF} \\ \text{Selling price} & 131.06 & \textbf{(1) OF} \end{array}$$	**5**

Question	Answer	Marks
4(g)	Facilitates future detailed planning **(1)** Encourages co-ordination and cooperation between departments **(1)** Encourages communication between departments **(1)** Provides a framework for responsibility accounting **(1)** Provides a framework for budgetary control / variance analysis **(1)** Motivates employees by providing realistic targets **(1)** **Max 3 marks** **Accept other valid responses.**	**3**
4(h)	Based on estimates **(1)** Can restrict innovation **(1)** If unrealistic, may demotivate employees **(1)** Must be constantly updated to be useful **(1)** **Max 2 marks** **Accept other valid responses.**	**2**
	Marking guidance: Allow: P1: May become out of date/historical data/inaccurate P2: Unexpected opportunities may be ignored P3: If imposed may demotivate/cause resentment P4: No control over external influences/changes. Do not allow if say does not consider external influences (the budget would have considered these but key point for mark is no control of changes) Specialist knowledge may be required/expensive Time consuming to prepare Managers may build in budget slack Surplus budgets may be used for the sake of it/inefficient use of resources Conflicts between departments	

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