CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/23**

Paper 2 Structured Questions **October/November 2025**

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 2025 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 descriptions 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.

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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 guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct and relevant point made in answering the question.
	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repetition
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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Abbreviations and guidance
The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. **}***

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally
valid.

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Question	Answer	Marks
1(a)	**Prepare the statement of profit or loss for the year ended 31 December 2024.**	**9**

Fazal and Naseem
Statement of profit or loss for the year ended 31 December 2024

	$	$	
Revenue		98 110	
Cost of sales		(36 790)	
Gross profit		61 320	**(1)**
Other income			
Profit on disposal of non-current assets	320		**(1)**
Decrease in allowance for irrecoverable debts **W1**	48		**(1)**
		368	
		61 688	
Expenses			
General expenses	3 310		
Interest on loan from Fazal **W2**	160		**(1)**
Irrecoverable debt	320		**(1)**
Rent **W3**	8 400		**(1)**
Staff wages **W4**	26 640		**(1)**
Depreciation of non-current assets **W5**	27 800		**(1)**
		66 630	
Loss for the year		4 942	**(1)OF**

W1: Decrease in allowance for irrecoverable debts:
$310 – (2.5% × ($10 800 – 320)) = $48 **(1)**
W2: Interest on loan from Fazal: 8% × ¼ × $8000 = $160 **(1)**
W3: Rent: $9800 – prepaid $1400 = $8 400 **(1)**
W4: Wages: $25 830 + $810 = $26 640 **(1)**
W5: Depreciation: $139 000 × 20% = 27 800 **(1)**

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Question	Answer	Marks
1(b)	**Prepare <u>each</u> partner's current account for the year ended 31 December 2024. Dates are <u>not</u> required.**	**5**

Current accounts

	Fazal	Naseem			Fazal	Naseem	
	$	$			$	$	
Balance b/d	1 480			Balance b/d		2 610	
Interest on drawings	585	715	**(1)**	Salary		8 000	**(1)**
Drawings	11 700	14 300		Interest on loan	160		**(1)OF**
Residual loss (loss share)	<u>5 821</u>	<u>5 821</u>	**(1)OF**	Balances c/d	<u>19 426</u>	<u>10 226</u>	
	<u>19 586</u>	<u>20 836</u>			<u>19 586</u>	<u>20 836</u>	
Balances b/d	19 426	10 226	**(1)OF**				

W1: Shares of residual loss or loss share
Loss for the year $4942 add interest on drawings $1300 less salary $8000 = $11 642
(1) OF

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>Prepare the <u>equity and liabilities section</u> of the partnership's statement of financial position at 31 December 2024.

Fazal and Naseem
Statement of financial position at 31 December 2024

<table>
<tr><td></td><td>$</td><td>$</td><td>$</td><td></td></tr>
<tr><td>Equity and liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Equity</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Fazal</td><td>Naseem</td><td></td><td></td></tr>
<tr><td>Capital accounts</td><td>65 000</td><td>55 000</td><td>120 000</td><td>(1)</td></tr>
<tr><td>Current accounts</td><td>(19 426)</td><td>(10 226)</td><td><u>(29 652)</u></td><td></td></tr>
<tr><td>Total Equity</td><td></td><td></td><td>90 348</td><td>(1) OF</td></tr>
<tr><td>Non-current liability</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Loan from Fazal</td><td></td><td></td><td>8 000</td><td>(1)</td></tr>
<tr><td>Current liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Trade payables</td><td></td><td>7 380</td><td></td><td></td></tr>
<tr><td>Bank overdraft</td><td></td><td>3 180</td><td></td><td></td></tr>
<tr><td>Other payables</td><td></td><td><u>810</u></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>11 370</td><td>(1)</td></tr>
<tr><td>Total liabilities</td><td></td><td></td><td>19 370</td><td></td></tr>
<tr><td>Total equity and liabilities</td><td></td><td></td><td>109 718</td><td>(1) OF</td></tr>
</table>
</td><td>5</td></tr>
<tr><td>1(d)(i)</td><td>Calculate the effect on annual profits of <u>each</u> option.

Option A:

New gross profit 70% × $98 110 = 68 677 (1)
Increase: $68 677 – $61 320 = $7357 (1)</td><td>2</td></tr>
<tr><td>1(d)(ii)</td><td>Calculate the effect on annual profits of <u>each</u> option.

Option B:

Increase in gross profit $61 320 × 17.5% = $10 731
Increase in profit for the year:
$10 731 less increase in rent $1260 (1) = $9471(1)</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(e)	**Advise the partners which option they should choose. Justify your choice by discussing <u>both</u> the advantages and disadvantages of <u>each</u> option.** **Option A (Max 4)** Produces an increase in profit/partnership will be profitable **(1)** Will new supplier prove reliable? **(1)** Will quality of goods be maintained? **(1)** Will bulk ordering result in less frequent deliveries and possible inventory deterioration **(1)** Will additional storage be required **(1)** Will the expected increase in gross profit margin prove accurate? **(1)** **Option B (Max 4)** Produces the largest increase in profit **(1)OF** Will forecasts of increased demand prove accurate? **(1)** What are the costs of changing location? **(1)** Will current regular customers continue to buy**? (1)** **Accept other valid responses** **Decision supported with a comment (1)**	**7**

Question	Answer	Marks
2(a)	**Complete the table to identify and describe the accounting concept which has been ignored in <u>each</u> of the errors.**	**8**

Error	Accounting concept ignored	Description
1	Consistency **(1)**	The same policy should be used from year to year to ensure valid comparisons of results can be made. **(1)**
2	Business entity **(1)**	Only transactions that affect a business should be recorded in the business's books. **(1)**
3	Going concern **(1)**	It should be assumed that a business will continue trading for the foreseeable future, so that resale values are considered irrelevant **(1)**
4	Realisation **(1)**	Revenue should only be recognised when payment is received or an invoice issued. **(1)**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Calculate the revised profit for the year ended 31 December 2024.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Draft profit</td><td>36 960</td><td></td></tr>
<tr><td>Error 1 Depreciation error W1</td><td>+960</td><td>2</td></tr>
<tr><td>Error 2 Goods or own use W2</td><td>+700</td><td>1</td></tr>
<tr><td>Error 3 Equipment</td><td>+2 600</td><td>1</td></tr>
<tr><td>Error 4 Sale of goods</td><td>–110</td><td>1</td></tr>
<tr><td>Revised profit</td><td>41 110</td><td>1 OF</td></tr>
</table>

W1 Depreciation charged: 20% × $24 000 = $4800; depreciation should have been 20% × ($24 000 × 80%), i.e. $3840 difference $960.
W2 Goods for own use at cost: 5/6 × $840 = $700</td><td>6</td></tr>
<tr><td>2(c)</td><td>State which accounting concept should be applied when deciding whether or not to record this asset in the statement of financial position.

Money measurement (1)</td><td>1</td></tr>
</table>

Question	Answer	Marks
3(a)	**Calculate the number of issued ordinary shares at 1 April 2024.** Number of shares before general issue: 840 000 – 120 000 = 720 000 **(1)** Number of shares before bonus issue: 2/3 × 720 000 = 480 000 **(1)**	**2**

Question	Answer	Marks
3(b)	**Prepare the following ledger accounts to record the transactions during the year ended 31 March 2025.**	**10**

Share premium account

Date	Details	$		Date	Details	$	
2024 May 1	Issued share capital	60 000	**(1)**	2024 April 1	Balance b/d	60 000	**(1)**
2025				2025			
March 31	Bal c/d	24 000		Jan 1	Bank	24 000	**(1)**
		84 000				84 000	
				April 1	Balance b/d	24 000	**(1)OF**

Retained earnings account

Date	Details	$		Date	Details	$	
2024 May 1	Issued share capital	180 000		2024 April 1	Balance b/d	300 200	**(1)**
June 1	Property	17 000	**(1)**	2025			
Sept 1	Bank **W1**	54 000	**(1)**	Mar 31	Statement of profit or loss	125 400	**(1)**
2025 Mar 31	Balance c/d	174 600	**(1)**				
		425 600				425 600	
				April 1	Balance b/d	174 600	**(1)OF**

W1 Dividend: 7.5% × $720 000 = 54 000 **(1)**

Question	Answer	Marks
3(c)	**State <u>three</u> factors that directors should consider when deciding the amount to be paid as a final dividend.** Profits available for distribution **(1)** Cash funds available to cover dividend payment **(1)** Expectations of shareholders **(1)** Other priorities/future plans affecting liquid funds **(1)** **Accept other valid responses** **Max 3**	**3**

Question	Answer	Marks
4(a)	**Explain <u>two</u> differences between marginal costing and absorption costing.** Marginal costing treats only variable costs as product cost **(1)** whereas absorption costing treats both variable and fixed costs as product costs **(1)** Marginal costing classifies costs by behaviour, as to whether or not they change with the level of output **(1)** whereas absorption costing classifies costs by nature, whether they are directly or indirectly related to the production process **(1)** Marginal costing is useful for short term decisions (such as make or buy) **(1)** whereas absorption costing is useful for long term decisions (such as setting prices) **(1)** Marginal costing is for internal reporting **(1)** but absorption is for external reporting/financial statements as it follows IAS **(1)** **Accept other valid responses.**	**4**
4(b)	**Complete the table to show the reapportionment of service department overheads.**	**4**

		Production departments		Service departments		
	Total	Cutting	Assembly	Maintenance	Stores	
	$	$	$	$	$	
Overheads allocated	178 830	77 850	51 330	27 150	22 500	
Stores	–	12 000	8 250	2 250	(22 500)	**(1)**
		89 850	59 580	29 400	–	**(1)**
Maintenance	–	18 130	11 270	(29 400)		**(1)**
Totals	–	107 980	70 850			**(1)OF**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>Calculate, to <u>two</u> decimal places, the overhead absorption rates for <u>each</u> department for the year ended 30 September 2025.

<table>
<tr><td>Cutting department</td><td>$\frac{\$107\,980}{8\,140}$ = \$13.27 (1) OF per machine hour (1)</td></tr>
<tr><td>Assembly department</td><td>$\frac{\$70\,850}{7\,855}$ = \$9.02 (1) OF per labour hour (1)</td></tr>
</table></td><td>4</td></tr>
<tr><td>4(d)</td><td>Calculate the over-absorption or under-absorption of overheads for the assembly department for the year ended 30 September 2025.

Overheads absorbed: \$9.02 × 6050 = \$54 571 (1) OF

Under-absorption (1) \$54 571 – \$65 600 = \$11 029 (1) OF</td><td>3</td></tr>
<tr><td>4(e)</td><td>Calculate the selling price of the order.

<table>
<tr><td></td><td>\$</td><td></td></tr>
<tr><td>Direct costs</td><td>1 450.00</td><td></td></tr>
<tr><td>Overheads</td><td></td><td></td></tr>
<tr><td>Cutting: 197 × \$13.27</td><td>2 614.19</td><td>(1)OF</td></tr>
<tr><td>Assembly: 152 × \$9.02</td><td>1 371.04</td><td>(1)OF</td></tr>
<tr><td>Total cost</td><td>5 435.23</td><td>(1)OF</td></tr>
<tr><td>Profit W1</td><td>3 623.49</td><td>(1)OF</td></tr>
<tr><td>Selling price</td><td>9 058.72</td><td>(1)OF</td></tr>
</table>
W1: gross profit margin of 40% = 2/3 × total cost = \$3623.49 (1)OF
OR 5435.23/60 × 100 = \$9058.72

Accept alternative approaches.</td><td>5</td></tr>
<tr><td>4(f)</td><td>Calculate the profit or loss which would be made on the order from the overseas customer.

Profit from order: 1500 × 4 = \$6000 – \$375 = \$5625 (1)</td><td>1</td></tr>
</table>

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Question	Answer	Marks
4(g)	**Advise the directors whether or not they should accept the order from the overseas customer. Justify your answer by discussing <u>both</u> the advantages and disadvantages of accepting the order.** **For (Max 3)** May lead to further orders from this customer and/or and may lead to further orders from this new market area at a more favourable contribution **(1)** which would compensate for any further loss of demand from existing customers **(1)** More of the workforce is retained /avoids redundancy payments **(1)** More of the plant and machinery is kept in use avoiding deterioration **(1)** Makes positive contribution / profit **(1)** **Against (Max 3)** Knowledge of reduced price for this customer may become known to existing customers **(1)** Currency exchange rates may become unfavourable **(1)** It is a short-term solution unless regular orders result **(1)** Currently there is sufficient capacity but that might not always be the case. **(1)** **Accept other valid responses** **Decision supported with a comment (1)**	**7**
4(h)	**Explain the key principle of the Just in time (JIT) method of inventory control.** Supplies should be received exactly when they are needed (1) and do not need to be stored by the business beforehand. (1) **Accept other valid responses**	**2**