



Cambridge International AS & A Level

ACCOUNTING

9706/22

Paper 2 AS Level Structured Questions

March 2020

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 March 2020 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **7** 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.

Question	Answer	Marks																																																								
1(a)	<p style="text-align: center;">S Limited Income Statement for the year ended 31 December 2019</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Revenue</td> <td style="width: 20%;"></td> <td style="width: 15%; text-align: right;">998 400</td> <td style="width: 5%;"></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">122 000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>435 000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">557 000</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory W1</td> <td style="text-align: right;"><u>(131 500) (2)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(425 500) (1)OF</u></td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">572 900</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Deduct</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Administrative expenses W2</td> <td style="text-align: right;">287 500 (3)</td> <td></td> <td></td> </tr> <tr> <td>Distribution costs</td> <td style="text-align: right;"><u>84 475</u></td> <td style="text-align: right;"><u>(371 975)</u></td> <td></td> </tr> <tr> <td>Profit from operations</td> <td></td> <td style="text-align: right;">200 925</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Finance costs</td> <td></td> <td style="text-align: right;"><u>(2 000) (1)</u></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u><u>198 925</u></u></td> <td style="text-align: right;">(1)OF</td> </tr> </table> <p>W1 134 200 – 2 700 (1) = 131 500 (1)OF</p> <p>W2 298 875 – 3 875 (1) – 7 500 (1) = 287 500 (1)OF</p>	Revenue		998 400		Cost of sales				Opening inventory	122 000			Purchases	<u>435 000</u>				557 000			Closing inventory W1	<u>(131 500) (2)</u>					<u>(425 500) (1)OF</u>		Gross profit		572 900	(1)OF	Deduct				Administrative expenses W2	287 500 (3)			Distribution costs	<u>84 475</u>	<u>(371 975)</u>		Profit from operations		200 925	(1)OF	Finance costs		<u>(2 000) (1)</u>		Profit for the year		<u><u>198 925</u></u>	(1)OF	10
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1(b)	<p>Using capital reserves before revenue reserves (1) to facilitate future payments of dividends (1).</p> <p>Accept other valid responses.</p>	2																																																								
1(c)	<p style="text-align: center;">Ordinary Share Capital 2019</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%;">Jan 1</td> <td style="width: 20%;">Balance b/d</td> <td style="width: 15%; text-align: right;">100 000</td> <td style="width: 35%; text-align: right;">(1)</td> </tr> <tr> <td></td> <td>Oct 31</td> <td>Share premium</td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td>Oct 31</td> <td>Retained Earnings.</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Dec 31</td> <td>Balance c/d</td> <td style="text-align: right;"><u>125 000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u><u>125 000</u></u></td> <td style="text-align: right;"><u><u>125 000</u></u></td> <td></td> </tr> </table> <p style="text-align: center;">2020</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%;">Jan 1</td> <td style="width: 20%;">Balance b/d</td> <td style="width: 15%; text-align: right;">125 000</td> <td style="width: 35%; text-align: right;">(1)OF</td> </tr> </table>		Jan 1	Balance b/d	100 000	(1)		Oct 31	Share premium	20 000	(1)		Oct 31	Retained Earnings.	5 000	(1)	Dec 31	Balance c/d	<u>125 000</u>					<u><u>125 000</u></u>	<u><u>125 000</u></u>			Jan 1	Balance b/d	125 000	(1)OF	4																										
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2(a)(ii)	Accruals/matching concept (1). The cost of the asset is matched with the income generated over the lifetime of the asset (1). Prudence concept (1). To avoid overstating profits / <u>non-current</u> assets (1).	4																																																
2(b)(i)	<p style="text-align: center;">Motor vehicles – Provision for depreciation account</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 15%;">2019</td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;">2019</td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> <tr> <td>Dec 31</td> <td>Disposal</td> <td style="text-align: right;">17 500</td> <td>(1)</td> <td>Jan 1</td> <td>Bal b/d</td> <td style="text-align: right;">105 000</td> <td>(1)</td> </tr> <tr> <td>Dec 31</td> <td>Bal c/d</td> <td style="text-align: right;">113 125</td> <td></td> <td>Dec 31</td> <td>I/S</td> <td style="text-align: right;">25 625</td> <td>(3) W1</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">130 625</td> <td></td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">130 625</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>2020</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Jan 1</td> <td>Bal b/d</td> <td style="text-align: right;">113 125</td> <td>(1 of)</td> </tr> </tbody> </table> <p>W1: 12 500 (1) + 13 125 (1) = 25 625 (1) OF</p>	2019				2019				Dec 31	Disposal	17 500	(1)	Jan 1	Bal b/d	105 000	(1)	Dec 31	Bal c/d	113 125		Dec 31	I/S	25 625	(3) W1			130 625				130 625						2020								Jan 1	Bal b/d	113 125	(1 of)	6
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4(b)(i)	A production department is one which is <u>directly</u> involved in manufacturing the products (1).	1
4(b)(ii)	A service department is one which is not directly involved in manufacturing the products but provides support to other departments (1).	1

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4(c)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Overhead</th> <th style="width: 20%;">Production Centre 1</th> <th style="width: 20%;">Production Centre 2</th> <th style="width: 20%;">Service Centre</th> <th style="width: 20%;">Total</th> </tr> </thead> <tbody> <tr> <td>Rent</td> <td>9 000</td> <td>6 000</td> <td>3 000</td> <td>18 000 (1) row</td> </tr> <tr> <td>Heating and lighting</td> <td>7 500</td> <td>3 750</td> <td>1 250</td> <td>12 500 (1) row</td> </tr> <tr> <td>Depreciation</td> <td>7 000</td> <td>4 200</td> <td></td> <td>11 200 (1) row</td> </tr> <tr> <td>Employee Overheads</td> <td>4 500</td> <td>2 500</td> <td>1 300</td> <td>8 300 (1) row</td> </tr> <tr> <td></td> <td>28 000</td> <td>16 450</td> <td>5 550</td> <td>50 000</td> </tr> <tr> <td>Service centre re-apportionment</td> <td>3 700 (1)OF</td> <td>1 850 (1)OF</td> <td>(5 550)</td> <td></td> </tr> <tr> <td></td> <td>31 700 (1)OF</td> <td>18 300 (1)OF</td> <td></td> <td></td> </tr> </tbody> </table>	Overhead	Production Centre 1	Production Centre 2	Service Centre	Total	Rent	9 000	6 000	3 000	18 000 (1) row	Heating and lighting	7 500	3 750	1 250	12 500 (1) row	Depreciation	7 000	4 200		11 200 (1) row	Employee Overheads	4 500	2 500	1 300	8 300 (1) row		28 000	16 450	5 550	50 000	Service centre re-apportionment	3 700 (1) OF	1 850 (1) OF	(5 550)			31 700 (1) OF	18 300 (1) OF							8
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	31 700 (1) OF	18 300 (1) OF																																												
4(d)	<p>Prod.1 $\frac{31\,700}{4\,000} = \\7.93 (1)OF per direct labour hour (1)</p> <p>Prod. 2 $\frac{18\,300}{2\,000} = \\9.15 (1)OF per machine hour (1)</p>					4																																								
4(e)	<p>Service centres incur overhead costs and these costs are charged to the product by transferring to the production centres on an appropriate basis (1). To ensure that all costs are recovered in the sale of products (1).</p> <p>Accept other valid responses.</p>					2																																								
4(f)	<p>Not used for short-term decision making (1). Cannot calculate break-even point (1). Can be subjective (1).</p> <p>Accept other valid responses.</p>					3																																								
4(g)	<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 60%;">Direct costs (\$2800 + \$3200)</td> <td style="width: 10%; text-align: right;">6 000.00</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 10%;"></td> </tr> <tr> <td>Overheads Dept 1 (\$7.93 × 80)</td> <td style="text-align: right;">634.40</td> <td></td> <td style="text-align: right;">(1)OF</td> <td></td> </tr> <tr> <td>Overheads Dept 2 (\$9.15 × 100)</td> <td style="text-align: right;">915.00</td> <td></td> <td style="text-align: right;">(1)OF</td> <td></td> </tr> <tr> <td>Total cost</td> <td style="text-align: right; border-top: 1px solid black;">7 549.40</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Price to quote \$7 549.40 (OF) × 100/65:</td> <td style="text-align: right;">\$11 614.46</td> <td></td> <td style="text-align: right;">(1)OF</td> <td></td> </tr> </tbody> </table>					Direct costs (\$2800 + \$3200)	6 000.00		(1)		Overheads Dept 1 (\$7.93 × 80)	634.40		(1) OF		Overheads Dept 2 (\$9.15 × 100)	915.00		(1) OF		Total cost	7 549.40				Price to quote \$7 549.40 (OF) × 100/65:	\$11 614.46		(1) OF		4															
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Question	Answer	Marks
4(h)	<p>Accept the order (1). There is both a positive contribution (1) and profit / lower profit margin (1) Is there spare capacity? (1) Would acceptance of the order restrict other orders that would be more profitable? (1) Consider whether customer is likely to make more orders (1) and at which price (1). Consider effect on other customers learning of reduced price (1).</p> <p>1 for decision and max. 4 for discussion.</p>	5