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**ACCOUNTING**

**9706/21**

Paper 2 Structured Questions

**October/November 2019**

MARK SCHEME

Maximum Mark: 90

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**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 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **13** printed pages.

**PUBLISHED****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.

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Question	Answer	Marks																																																																								
1(a)	<p style="text-align: center;">AB Limited Income statement for the year ended 31 December 2018</p> <p style="text-align: center;">\$</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Revenue</td> <td style="width: 10%;"><b>W1</b></td> <td style="width: 20%; text-align: right;">662 100</td> <td style="width: 10%; text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Cost of sales</td> <td><b>W2</b></td> <td style="text-align: right;"><u>(306 300)</u></td> <td style="text-align: right;"><b>(2)</b></td> </tr> <tr> <td>Gross profit for the year</td> <td></td> <td style="text-align: right;">355 800</td> <td></td> </tr> <tr> <td>Administrative expenses</td> <td><b>W3</b></td> <td style="text-align: right;">(117 000)</td> <td style="text-align: right;"><b>(3)</b></td> </tr> <tr> <td>Distribution costs</td> <td><b>W4</b></td> <td style="text-align: right;"><u>(195 600)</u></td> <td style="text-align: right;"><b>(3)</b></td> </tr> <tr> <td>Profit from operations</td> <td></td> <td style="text-align: right;">43 200</td> <td></td> </tr> <tr> <td>Finance costs (2 200 + 4 000 )</td> <td></td> <td style="text-align: right;"><u>(6 200)</u></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>37 000</u></td> <td></td> </tr> </table> <p>Workings</p> <p><b>W1</b> Revenue                    670 400 – 8 300 = 662 100 <b>(1)</b></p> <p><b>W2</b> Cost of sales            56 500 + 310 600 + 12 00 <b>(1)</b> – 62 000 = 306 300 <b>(1) OF</b></p> <p><b>W3</b> Administrative expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Per balances</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">111 700</td> <td style="width: 10%;"></td> </tr> <tr> <td>Buildings depreciation (80 000 × 2% × 25%)</td> <td></td> <td style="text-align: right;">400</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Provision for doubtful debts ((92 400 – 400 – 2 000) × 5%)</td> <td></td> <td style="text-align: right;">4 500</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Irrecoverable debt written off</td> <td></td> <td style="text-align: right;"><u>400</u></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>117 000</u></td> <td></td> </tr> </table> <p><b>W4</b> Distribution costs</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Per balances</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">184 800</td> <td style="width: 10%;"></td> </tr> <tr> <td>Buildings depreciation (80 000 × 2% × 75%)</td> <td></td> <td style="text-align: right;">1 200</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Warehouse F &amp; F depreciation ((12 900 – 8 900) × 10%)</td> <td></td> <td style="text-align: right;">400</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Motor vehicles depreciation (46 000 × 20%)</td> <td></td> <td style="text-align: right;"><u>9 200</u></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>195 600</u></td> <td></td> </tr> </table>	Revenue	<b>W1</b>	662 100	<b>(1)</b>	Cost of sales	<b>W2</b>	<u>(306 300)</u>	<b>(2)</b>	Gross profit for the year		355 800		Administrative expenses	<b>W3</b>	(117 000)	<b>(3)</b>	Distribution costs	<b>W4</b>	<u>(195 600)</u>	<b>(3)</b>	Profit from operations		43 200		Finance costs (2 200 + 4 000 )		<u>(6 200)</u>	<b>(1)</b>	Profit for the year		<u>37 000</u>		Per balances		111 700		Buildings depreciation (80 000 × 2% × 25%)		400	<b>(1)</b>	Provision for doubtful debts ((92 400 – 400 – 2 000) × 5%)		4 500	<b>(1)</b>	Irrecoverable debt written off		<u>400</u>	<b>(1)</b>			<u>117 000</u>		Per balances		184 800		Buildings depreciation (80 000 × 2% × 75%)		1 200	<b>(1)</b>	Warehouse F & F depreciation ((12 900 – 8 900) × 10%)		400	<b>(1)</b>	Motor vehicles depreciation (46 000 × 20%)		<u>9 200</u>	<b>(1)</b>			<u>195 600</u>		<b>10</b>
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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1(c)	<p><b>Rights issue (max 2)</b></p> <p>Payment of dividends is discretionary (1)</p> <p>Permanent capital (1)</p> <p>Will rights issue be fully subscribed (1)</p> <p><b>Debenture (max 2)</b></p> <p>Would increase (non-current) liabilities (1)</p> <p>Debenture interest must be paid (1)</p> <p>Security maybe required (1)</p> <p><b>Advice (1)</b></p> <p><b>Accept other valid points.</b></p>	<b>5</b>
1(d)	<p>Shareholders (1)</p> <p>Directors/employees (1)</p> <p><b>Accept other valid points.</b></p>	<b>2</b>
1(e)(i)	<p>Gross margin (1)</p> <p>Profit margin (1)</p> <p>Return on capital employed (1)</p> <p>Expenses to revenue ratio (1)</p> <p><b>Max 2</b></p>	<b>2</b>

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Question	Answer	Marks
1(e)(ii)	Current ratio <b>(1)</b> Liquid (acid test) ratio <b>(1)</b>	<b>2</b>

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2(a)	<p style="text-align: center;">Cash book</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 10%; text-align: right;">\$</th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> <th style="width: 10%; text-align: right;">\$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Smith</td> <td style="text-align: right;">3 500</td> <td><b>(1)</b></td> <td>Balance b/d</td> <td style="text-align: right;">4 327</td> <td></td> </tr> <tr> <td>Standing order error</td> <td style="text-align: right;">100</td> <td><b>(1)</b></td> <td>Wages</td> <td style="text-align: right;">850</td> <td><b>(1)</b></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">1 727</td> <td></td> <td>Interest error</td> <td style="text-align: right;">150</td> <td><b>(1)</b></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>5 327</u></td> <td></td> <td></td> <td style="text-align: right;"><u>5 327</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Balance b/d *</td> <td style="text-align: right;">1 727</td> <td><b>(1) OF</b></td> </tr> </tbody> </table>		\$			\$		Smith	3 500	<b>(1)</b>	Balance b/d	4 327		Standing order error	100	<b>(1)</b>	Wages	850	<b>(1)</b>	Balance c/d	1 727		Interest error	150	<b>(1)</b>		<u>5 327</u>			<u>5 327</u>					Balance b/d *	1 727	<b>(1) OF</b>	<b>5</b>
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2(b)	<p style="text-align: center;">Bank reconciliation</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 40%;">Balance per bank statement</td> <td style="width: 10%; text-align: right;">(1 875)</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Add uncleared lodgements</td> <td style="text-align: right;">560</td> <td><b>(1)</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less unpresented cheques</td> <td style="text-align: right;">(340)</td> <td><b>(1)</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less direct debit correction</td> <td style="text-align: right;">(72)</td> <td><b>(1)</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Balance per cash book *</td> <td style="text-align: right;"><u>(1 727)</u></td> <td><b>(1) OF</b></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><b>(*) 1 mark if figure is correct/same amount as cash book from (a)</b></p>	Balance per bank statement	(1 875)					Add uncleared lodgements	560	<b>(1)</b>				Less unpresented cheques	(340)	<b>(1)</b>				Less direct debit correction	(72)	<b>(1)</b>				Balance per cash book *	<u>(1 727)</u>	<b>(1) OF</b>				<b>4</b>						
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2(c)	<p>To identify errors in the cash book <b>(1)</b></p> <p>To identify errors on the bank statement <b>(1)</b></p> <p>To identify uncleared lodgements <b>(1)</b></p> <p>To identify unpresented cheques <b>(1)</b></p> <p>To verify accuracy of accounting records <b>(1)</b></p> <p>To update the cash book with transactions only on the bank statement <b>(1)</b></p> <p>To identify out of date cheques <b>(1)</b></p> <p><b>Accept other valid points.</b></p> <p><b>Max 2</b></p>	<b>2</b>																		
2(d)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right;">Adjusted profit for the year</td> <td></td> </tr> <tr> <td>Draft profit</td> <td style="text-align: right;">10 340</td> <td></td> </tr> <tr> <td>Damaged inventory (800 – (900 – 150))</td> <td style="text-align: right;">(50) <b>(1)</b></td> <td></td> </tr> <tr> <td>Goods on sale or return (2800-2000)</td> <td style="text-align: right;">(800) <b>(1)</b></td> <td></td> </tr> <tr> <td>Accrued rental</td> <td style="text-align: right;"><u>(1 200)</u> <b>(1)</b></td> <td></td> </tr> <tr> <td>Revised profit</td> <td style="text-align: right;"><u>8 290</u> <b>(1) OF</b></td> <td></td> </tr> </table>		Adjusted profit for the year		Draft profit	10 340		Damaged inventory (800 – (900 – 150))	(50) <b>(1)</b>		Goods on sale or return (2800-2000)	(800) <b>(1)</b>		Accrued rental	<u>(1 200)</u> <b>(1)</b>		Revised profit	<u>8 290</u> <b>(1) OF</b>		<b>4</b>
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Question	Answer	Marks
3(a)	$\$152\,000 - \$76\,000 - \$4\,000 = \$72\,000$ <b>(1)</b>	<b>1</b>
3(b)	$\frac{72000}{3} = \$24\,000$ <b>(1) OF</b>	<b>1</b>



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Question	Answer				Marks
3(c)	<p style="text-align: center;">\$</p> Motor vehicles                    6 000 ** Irrecoverable debt                2 000 <b>(1)</b> Provision for doubtful debts      1 000 <b>(1)</b> <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> 9 000		<p style="text-align: center;">\$</p> Motor vehicles                    3000 <b>** (1) for both</b> Capital account – Adam            2000 <b>#</b> Capital account – Bilal            2000 <b># (1) for all three</b> Capital account – Chan            2000 <b>#</b> <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> 9000	<b>4</b>	
3(d)	<p style="text-align: center;">\$</p> Capital account                    20 000 Current account                    (4 000) Motor vehicle                        (30 000) <b>(1)</b> Profit for the year                  24 000 Loan account                        80 000 Interest on loan                    4 000 Loss on revaluation                (2 000) Goodwill                              8 000 <b>(1)</b> <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> 100 000  Loan account                        (45 000) Due to Bilal from bank account    55 000 <b>(1) CF</b>				<b>3</b>
3(e)	To reward partners for their fixed investment in the business <b>(1)</b> To encourage further capital investment in the business <b>(1)</b>  <b>Accept other valid points.</b>				<b>2</b>
3(f)	To discourage large amounts of drawings by the partners <b>(1)</b> To penalise partners who make excessive drawings <b>(1)</b>  <b>Accept other valid points.</b>				<b>2</b>

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Question	Answer	Marks
3(g)	<p>The amount of salary payable to partners (1)</p> <p>Rate of interest on partners' loans (1)</p> <p>Management responsibilities of partners (1)</p> <p>Any limits on partners' drawings (1)</p> <p>Amount of partners' capital (1)</p> <p><b>Accept other valid points.</b></p> <p><b>Max 2</b></p>	<b>2</b>

Question	Answer	Marks
4(a)	<p>Enables selling prices to be set, because all costs are included in the pricing of a product. (1)</p> <p>Supports long-term planning, because this depends on revenue. It must cover not just direct costs but overhead costs as well. (1)</p> <p>Absorption costing conforms to the accruals concept, because the total cost of unsold inventory is charged to the period in which it is sold. (1)</p> <p><b>Accept other valid points.</b></p> <p><b>Max 3</b></p>	<b>3</b>

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