Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Structured Questions **October/November 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 October/November 2020 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U 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)	4 600 + 73 850 + 9000 = $87 450 **(1)** 11 480 + 50 250 + 7200 = $68 930 **(1)** 87 450 – 68 930 = $18 520 **(1)OF**	**3**
1(b)	Anjali Income Statement for the year ending 30 September 2020. $ $ $ Revenue **W1** 80 350 **(4)** Returns inwards (2 070) **(1)** 78 280 Deduct: cost of sales Opening inventory 14 500 * Purchases **W2** 53 080 **(3)** Returns outwards (1 290) **(1)** 51 790 Closing inventory (18 000) ***(1 both)** (48 290) **(1)OF** Gross profit 29 990 **(1)OF** Rental income 9 000 **(1)** 38 990 General expenses 10 880 **(1)** Irrecoverable debts 2 300 **(1)** Depreciation 12 750 **(1)** (25 930) Profit for the year 13 060 **(1)OF** **W1** 73 850 + 2070 **(1)** + (14 980 – 12 850) **(1 both)** + 2300 **(1)** = $80 350 **(1)OF** **W2** 50 250 + 1290 **(1)** + (11 470 – 9930) **(1 both)** = $53 080 **(1)OF**	**17**
1(c)(i)	Gross margin = 29 990 / 80 350 = 37.32% **(1)OF**	**1**
1(c)(ii)	Mark-up = 29 990 / 48 290 = 62.10% **(1)OF**	**1**
1(c)(iii)	Profit margin = 13 060 / 80 350 = 16.25% **(1)OF**	**1**
1(d)(i)	Reduce the cost of sales **(1)** by finding less expensive supplies **(1)**. **Accept other valid responses**	**2**
1(d)(ii)	Better control of overhead expenses **(1)** such as reducing irrecoverable debts **(1)** **Accept other valid responses**	**2**
1(e)	Employees – To be aware of profitability to assess job security and remuneration. **(1)** Suppliers– To assess likelihood of being paid amounts owed. **(1)** Government – To confirm correct amounts of taxes are being paid. **(1)** **Accept other valid responses**	**3**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Reducing balance (1).
Straight-line (1).
Revaluation (1).</td><td>3</td></tr>
<tr><td>2(b)</td><td>Motor vehicle – reducing balance (1).
The asset loses value more quickly at the beginning of its life therefore more depreciation is charged in the early years (1).
More maintenance expenditure is expected in later years so less depreciation (1).
Max. 3

Machine – straight line (1).
The asset loses value at a steady rate (1).
The same benefit is received over the life so equal depreciation is charged in accordance with the accruals concept (1) spreading the cost over the useful economic life (1).
Max. 3
Accept other valid responses</td><td>6</td></tr>
<tr><td>2(c)</td><td><table><tr><th>Scenario</th><th>Concept</th></tr><tr><td>Khalid used the business bank account to pay for a deposit for a family holiday. This was treated as a business expense.</td><td>Business entity (1).</td></tr><tr><td>A stapler for $10 paid by Khalid out of the business bank account was added to the business office equipment account balance.</td><td>Materiality (1).</td></tr><tr><td>Khalid became aware that a trade receivable owing $1500 was bankrupt. He took no action when preparing the annual accounts.</td><td>Prudence / matching/accruals (1).</td></tr></table></td><td>3</td></tr>
<tr><td>2(d)</td><td>To provide information about the financial performance of the business (1) the financial position of the business (1) and to facilitate decision making/ comparison to previous years / other businesses (1).

Accept other valid responses</td><td>3</td></tr>
</table>

Question	Answer	Marks
3(a)	Partnership realisation account |	| | | | | | | | | $ | | | $ | | | Non-current assets | 160 000 | | Trade payables | 30 000 | | | Current assets | 60 000 | | Bank – nca | 175 000 | | | Bank – t. payables | 27 000 | **(1)** | inventory | 42 000 | **(1)** | | – dissolution costs | 4 000 | **(1)** | t. recs. | 12 000 | | | Capital | | | | | | | Roberto | 4 800 | **(1)OF** | | | | | Sangeeta | 3 200 | **(1)OF** | | | | | | 259 000 | | | 259 000 | |	**5**
3(b)	Capital accounts |	| | | | | | | | | | Roberto $ | Sangeeta $ | | | Roberto $ | Sangeeta $ | | | Bal. b/d | | | | | 110 000 | 60 000 | **(1)** | | Current | | 10 000 | **(1)** | Current | 25 000 | | **(1)** | | Bank | 139 800 | 53 200 | **(1)OF*** | Realis. | 4 800 | 3 200 | **(1)OF*** | | | 139 800 | 63 200 | | | 139 800 | 63 200 | | *** OF marks are for both**	**5**
3(c)	Bank account |	| | | | | | | | | | $ | $ | | | $ | $ | | | Realisation | | 175 000 | | Bal. b/d | | 5 000 | **(1)** | | | | 42 000 | **(1)** | Realisation | | 27 000 | | | | | 12 000 | | | | 4 000 | **(1)** | | | | | | Capital R | | 139 800 | **(1)OF** | | | | | | Capital S | | 53 200 | **(1)OF** | | | | 229 000 | | | | 229 000 | |	**5**

Question	Answer	Marks
4(a)(i)	FIFO Simple to calculate **(1)**. Approved by IAS2 **(1)** Inventory valuations are based on the most recent receipts **(1)** **Max 2** **Accept other valid responses.**	**2**
4(a)(ii)	LIFO Simple to calculate **(1)** When prices rise profits will fall **(1)**. May correspond to flow of inventory – 'top of pile' **(1)**. **Max 2** **Accept other valid responses.**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)(iii)</td><td>AVCO
Automatically adjusts for price rises and falls (1).
Approved by IAS2 (1)
Provides an average price for goods issued (1)
Max 2
Accept other valid responses.</td><td>2</td></tr>
<tr><td>4(b)</td><td>The use of selling price would result in an overstatement of profit / current assets (1) so inventory should be valued at lower of cost and net realisable value (1) in accordance with the prudence concept (1)

Max 3
Accept other valid responses.</td><td>3</td></tr>
<tr><td>4(c)</td><td>Kevin
Marginal costing income statement

January February

<table>
<tr><td></td><td>$</td><td>$</td><td>$</td><td>$</td></tr>
<tr><td>Sales</td><td></td><td>300 000</td><td></td><td>420 000
(1) both</td></tr>
<tr><td>Opening Inv</td><td>–</td><td></td><td>27 000</td><td></td></tr>
<tr><td>Cost of prod</td><td>162 000</td><td></td><td>162 000</td><td></td></tr>
<tr><td>Closing Inv</td><td>(27 000)
(1)</td><td>(135 000)</td><td>-</td><td>(189 000)</td></tr>
<tr><td>Contribution</td><td></td><td>165 000</td><td></td><td>231 000
(1)OF both</td></tr>
<tr><td>Fixed costs</td><td></td><td>(100 000)</td><td></td><td>(100 000)
(1) both</td></tr>
<tr><td>Profit</td><td></td><td>65 000</td><td></td><td>131 000
(1)OF both</td></tr>
</table>
</td><td>5</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)</td><td>Kevin
Absorption costing income statement

<table>
<tr><td></td><td>January
$</td><td>
$</td><td>February
$</td><td>
$</td></tr>
<tr><td>Sales</td><td></td><td>300 000</td><td></td><td>420 000
(1) both</td></tr>
<tr><td>Opening Inv</td><td>-</td><td></td><td>42 000</td><td></td></tr>
<tr><td>Cost of prod</td><td>252 000</td><td></td><td>252 000</td><td></td></tr>
<tr><td>Closing Inv</td><td>(42 000)
(1)</td><td>(210 000)</td><td>-</td><td>(294 000)</td></tr>
<tr><td></td><td></td><td>90 000</td><td></td><td>126 000
(1) both</td></tr>
<tr><td>Under absorbed</td><td></td><td>(10 000)
(1)</td><td></td><td>(10 000)
(1)</td></tr>
<tr><td>Profit</td><td></td><td>80 000</td><td></td><td>116 000
(1)OF both</td></tr>
</table></td><td>6</td></tr>
<tr><td>4(e)</td><td>Marginal costing profit $65 000 (1)OF
Closing inventory (3000 × $5) $15 000 (1)
Absorption costing profit $80 000 (1)OF</td><td>3</td></tr>
<tr><td>4(f)</td><td>Marginal costing
• Easier to operate (1).
• Aids short-term decision making (1).
• Enables optimum allocation of resources (1).
• Avoids the problems of over/under absorption (1).

Absorption costing
• More complex / may require specialist knowledge (1)
• Gives higher profit when inventory levels increase (1)
• Includes an element of fixed cost in the inventory valuation (1).
• Absorbing overheads into costs aids the setting of prices (1).
• Reviewing under and over absorption may aid control and management of the business (1).

Accept other valid responses.
1 mark for decision and Max 6 marks for valid points.</td><td>7</td></tr>
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