Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

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.

This document consists of **18** printed pages.

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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.

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.

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.

ANNOTATIONS
The following annotations are used in marking this paper and should be used by examiner

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

Question	Answer	Marks
1(a)		**3**

	Debit	Credit	
	$	$	
Share premium	19 400		**(1)**
Retained earnings	600		**(1)**
(Ordinary) Share capital		20 000	**(1)**

1(b)	$51 030 **(4) W1** **W1**	**4**

	$	
Balance b/d	52 000	
Addition	16 500	**(1)**
Disposal	(11 800)	**(1)**
	56 700	
Depreciation for the year	(5 670)	**(1)**
Net book value	51 030	**(1) OF**

1(c)	($19 110) **(4) W1** **W1**	**4**

	$	
Balance b/d	2 590	
Plant and machinery	(4 700)	**(1)**
Dividend	(3 000)	**(1)**
Loan repayment	(14 000)	**(1)**
Adjusted balance	(19 110)	**(1)**

Question	Answer	Marks
1(d)	$16 760 **(5) W1** **W1** Balance b/d $27 350 Depreciation ($5 670) **(1) OF** Bonus issue ($600) **(1) OF** Dividend ($3 000) **(1) OF** Provision for doubtful debts ($1 320) **(1)** Adjusted balance $16 760 **(1)**	**5**

Question	Answer			Marks
1(e)	H Limited Statement of Financial Position at 30 September 2022			**8**
		$		
	Non-current assets			
	Property	61 000		
	Plant and machinery	51 030		
		112 030	**(1)**	
	Current assets			
	Inventory	48 900		
	Trade receivables	25 080	**(1) OF**	
		73 980		
	Total Assets	186 010		
	Equity and liabilities			
	Share capital	100 000	**(1)**	
	Revaluation reserve	19 000	**(1) OF**	
	Retained earnings	16 760	**(1) OF**	
		135 760		
	Non-current liabilities			
	8% bank loan (2028–2029)	14 000	**(1)**	
	Current liabilities			
	Bank overdraft	19 110	**(1) OF**	
	Trade payables	17 140		
		36 250		
	Total equity and liabilities	186 010	**(1)OF**	

Question	Answer	Marks
1(f)	Capital reserves are created as a result of non-trading activities **(1)** whereas revenue reserves are created by transfer from profits / trading activities **(1).** Capital reserves cannot be used to pay shareholder dividends **(1)** whereas revenue reserves can be used to pay shareholder dividends **(1).** **Accept other valid responses.**	**4**
1(g)	Conforms with the prudence concept **(1)** ensuring that a potential loss is recognised when it becomes apparent / ensuring that current assets/profits are not overstated **(1)** **Accept other valid responses.**	**2**

Question	Answer	Marks
2(a)	Sales ledger control account	**9**

	$		$
Balance b/d	34 210	Cash book (Bank)	32 840 **(1)**
Sales (book)	29 160 **(1)**	Sales returns (book)	980 **(1)**
Cash book (Bank)	1 020 **(1)**	Cash book (discount allowed)	218 **(1)**
Cash book (Bank)	65 **(1)**	Purchases ledger control account (contra)	325 **(1)**
		Journal (irrecoverable)	180 **(1)**
		Balance c/d	29 912
	64 455		64 455
Balance b/d	29 912 **(1) OF**		

2(b)			**3**

	$	
Original total from list of sales ledger balances	30 477	
Customer overpayment	65	**(1)**
Correction of credit balance	(630)	**(1)**
Amended total of sales ledger balances	29 912	**(1)**

Question	Answer	Marks
2(c)	Does not identify all types of error / only proves the arithmetical accuracy of the ledger **(1)**	**1**
2(d)	Preparation of the sales ledger control account should be carried out by a different member of staff / segregation of duties**(1)** so collusion between two people would be required for fraud to be present **(1)** **Accept other valid responses.**	**2**

Question	Answer	Marks
3(a)		**4**

Ratio	Formula	Workings
Trade receivables turnover (days).	$\frac{\text{Trade receivables}}{\text{Credit sales}} \times 365$ **(1)**	\$292 000 × 80% = \$233 600 $\frac{\$19\,800}{\$233\,600} \times 365 = 31$ days **(1)**
Trade payables turnover (days)	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365$ **(1)**	\$172 000 × 75% = \$129 000 $\frac{\$10\,100}{\$129\,000} \times 365$ days = 29 days **(1)**

Question	Answer	Marks
3(b)		**4**

Ratio	Formula	Workings
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$ **(1)**	\$91 330 / \$43 870 = 2.08:1 **(1)**
Liquid (acid test) ratio	$\frac{\text{Current assets exc. inventory}}{\text{Current liabilities}}$ **(1)**	\$26 530 / \$43 870 = 0.60:1 **(1) OF**

Question	Answer	Marks
3(c)	The company may experience cash flow problems **(1)** as a result of paying suppliers before receiving settlement from customers **(1)** The company may struggle to pay its short-term debts **(1)** Due to the high level of inventory **(1)** **Decision** Therefore, the directors should not be satisfied with the results due to potential liquidity problems **(1)** **Accept other valid responses.**	**5**
3(d)	Ratios do not consider non-financial factors **(1)** Businesses may not be of comparable size **(1)** Businesses may use different accounting techniques **(1)** Uses historic data **(1)** **Max 2** **Accept other valid responses.**	**2**

Question	Answer	Marks
4(a)(i)	$29 400 **(2) W1** **W1** $78 000 – ($21 600 + $14 400 + $4800 + $7800 = $48 600) **(1)** = $29 400 **(1)**	**2**
4(a)(ii)	$8700 **(2) W1** **W1** $29 400 – ($9200 + $6100 + $5400 = $20 700) **(1)** = $8700 **(1)**	**2**
4(a)(iii)	8449 units **(2) W1** **W1** ($20 700 / $2.45) **(1) OF** = 8449 units **(1) OF**	**2**

Question	Answer	Marks
4(b)	Actual sales – Break-even sales **(1)** **Allow other valid responses.**	**1**
4(c)	12 858 units **(2) W1** **W1** $20 700 (**OF)** + $10 800 = $31 500 **(1) OF** / $2.45 **(OF)** = 12 858 units **(1) OF**	**2**

Question	Answer	Marks
4(d)	Brady Budgeted marginal cost statement for the month of December 2022	**10**

		$		$	
Sales revenue	13 000 × $6.80			88 400	**(1)**
Variable costs					
Direct materials	13 000 × $2.20	28 600	**(1)**		
Direct labour	13 000 × $1.14	14 820	**(1)**		
Production overheads	13 000 × $0.40	5 200	**(1)**		
Selling costs	88 400 (OF) × 8%	7 072	**(1) OF**	(55 692)	
Contribution				32 708	**(1) OF**
Fixed costs					
Production overheads		9 200	**(1)**		
Administrative overheads	$6100 – $1500	4 600	**(1)**		
Selling costs	$5400 + $2500	7 900	**(1)**	21 700	
Profit for the month				11 008	**(1) OF**

Question	Answer	Marks
4(d)	**Alternative presentation**	

		$		$	
Sales revenue				6.80	**(1)**
Variable costs					
Direct materials		2.20	**(1)**		
Direct labour		1.14	**(1)**		
Production overheads		0.40	**(1)**		
Selling costs		0.544	**(1) OF**	4.284	
Contribution per unit				2.516	
Total contribution	X 13 000			32 708	**(1) OF**
Fixed costs					
Production overheads		9 200	**(1)**		
Administrative overheads	$6100 – $1 500	4 600	**(1)**		
Selling costs	$5400 + $2500	7 900	**(1)**	21 700	
Profit for the month				11 008	**(1) OF**

Question	Answer	Marks
4(e)	**Comments (Max 6 marks)** He will exceed his target profit by 1.9% depending on whether his customers are willing to pay the increased price. **(1)**	**7**
	Will turnover actually fall as a result if customers are not willing to pay the increased price **(1)**	
	Will agents be demotivated as a result of reduced commission rates resulting in a fall in sales **(1)**	
	What will be the cost of redundancies and what effect will that have on the company's profit? **(1)**	
	Will the decreased labour rate demotivate workers resulting in reduced production levels and poor quality? **(1)**	
	Will overtime be required to meet the additional output, and will workers be prepared to work overtime? **(1)**	
	How accurate is his forecast of 1000 additional units? and is the target achievable? **(1)**	
	There is no guarantee that by increasing the advertising the increase in sales will be achieved. **(1)**	
	Decision (1) Advise Brady to proceed with these changes provided he is confident he can produce the increase in monthly sales of 1000 units	
	Accept other valid responses	
4(f)	• Facilitates short-term decision making **(1).** • Enables identification of most profitable selling price, cost and volume combination **(1).** • Facilitates determination of viable selling price **(1).** • Helps control costs to maximise profitability **(1).** **Max 2 marks** **Accept other valid responses.**	**2**

Question	Answer	Marks
4(g)	• Assumes fixed costs remain constant over relevant range **(1).** • Assumes variable costs per unit remain constant **(1).** • Assumes selling price per unit remains constant **(1).** • Only relevant for single product or constant product mix **(1).** **Max 2 marks** **Accept other valid responses.**	**2**