



Cambridge IGCSE™ (9–1)

ACCOUNTING

0985/21

Paper 2

May/June 2021

MARK SCHEME

Maximum Mark: 100

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 May/June 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **20** 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.

PUBLISHED**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.

https://xtremepape.rs/

Question	Answer	Marks																																																																																																				
1(a)	<p>Rahat Cash Book</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>Disc.</th> <th>Cash</th> <th>Bank</th> <th>Date</th> <th>Details</th> <th>Disc.</th> <th>Cash</th> <th>Bank</th> </tr> <tr> <td>2021</td> <td></td> <td>\$</td> <td>\$</td> <td>\$</td> <td>2021</td> <td></td> <td>\$</td> <td>\$</td> <td>\$</td> </tr> </thead> <tbody> <tr> <td>Mar 1</td> <td>Balance b/d</td> <td></td> <td>150</td> <td></td> <td>Mar 1</td> <td>Balance b/d</td> <td></td> <td></td> <td>1980</td> </tr> <tr> <td>3</td> <td>Sales (1)</td> <td></td> <td></td> <td>580</td> <td>6</td> <td>Insurance (1)</td> <td></td> <td></td> <td>360</td> </tr> <tr> <td>17</td> <td>Sales (1)</td> <td></td> <td>140</td> <td></td> <td>9</td> <td>GH Limited (1)</td> <td>4</td> <td></td> <td>196</td> </tr> <tr> <td>27</td> <td>Disposal (1)</td> <td></td> <td></td> <td>50</td> <td>13</td> <td>Stationery (1)</td> <td></td> <td>75</td> <td></td> </tr> <tr> <td>31</td> <td>Balance c/d</td> <td></td> <td></td> <td>2246</td> <td>30</td> <td>Colin (1)</td> <td>10</td> <td></td> <td>340</td> </tr> <tr> <td></td> <td></td> <td></td> <td><u>290</u></td> <td><u>2876</u></td> <td>31</td> <td>Balance c/d</td> <td></td> <td><u>215</u></td> <td><u>2876</u></td> </tr> <tr> <td>Apr 1</td> <td>Balance b/d</td> <td></td> <td>215</td> <td></td> <td>Apr 1</td> <td>Balance b/d</td> <td>(1)OF</td> <td><u>290</u></td> <td>2246</td> </tr> <tr> <td></td> <td></td> <td></td> <td>(1)OF</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>(1)OF</td> </tr> </tbody> </table> <p>+(1) dates</p>	Date	Details	Disc.	Cash	Bank	Date	Details	Disc.	Cash	Bank	2021		\$	\$	\$	2021		\$	\$	\$	Mar 1	Balance b/d		150		Mar 1	Balance b/d			1980	3	Sales (1)			580	6	Insurance (1)			360	17	Sales (1)		140		9	GH Limited (1)	4		196	27	Disposal (1)			50	13	Stationery (1)		75		31	Balance c/d			2246	30	Colin (1)	10		340				<u>290</u>	<u>2876</u>	31	Balance c/d		<u>215</u>	<u>2876</u>	Apr 1	Balance b/d		215		Apr 1	Balance b/d	(1)OF	<u>290</u>	2246				(1)OF						(1)OF	11
Date	Details	Disc.	Cash	Bank	Date	Details	Disc.	Cash	Bank																																																																																													
2021		\$	\$	\$	2021		\$	\$	\$																																																																																													
Mar 1	Balance b/d		150		Mar 1	Balance b/d			1980																																																																																													
3	Sales (1)			580	6	Insurance (1)			360																																																																																													
17	Sales (1)		140		9	GH Limited (1)	4		196																																																																																													
27	Disposal (1)			50	13	Stationery (1)		75																																																																																														
31	Balance c/d			2246	30	Colin (1)	10		340																																																																																													
			<u>290</u>	<u>2876</u>	31	Balance c/d		<u>215</u>	<u>2876</u>																																																																																													
Apr 1	Balance b/d		215		Apr 1	Balance b/d	(1)OF	<u>290</u>	2246																																																																																													
			(1)OF						(1)OF																																																																																													
1(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Updating cash book</th> <th>Bank reconciliation statement</th> </tr> </thead> <tbody> <tr> <td>Cheque from Burgess dishonoured</td> <td style="text-align: center;">✓ (1)</td> <td></td> </tr> <tr> <td>Cheque to Colin unrepresented</td> <td></td> <td style="text-align: center;">✓ (1)</td> </tr> <tr> <td>Overdraft interest</td> <td style="text-align: center;">✓ (1)</td> <td></td> </tr> <tr> <td>Standing order paid for rates</td> <td style="text-align: center;">✓ (1)</td> <td></td> </tr> </tbody> </table>		Updating cash book	Bank reconciliation statement	Cheque from Burgess dishonoured	✓ (1)		Cheque to Colin unrepresented		✓ (1)	Overdraft interest	✓ (1)		Standing order paid for rates	✓ (1)		4																																																																																					
	Updating cash book	Bank reconciliation statement																																																																																																				
Cheque from Burgess dishonoured	✓ (1)																																																																																																					
Cheque to Colin unrepresented		✓ (1)																																																																																																				
Overdraft interest	✓ (1)																																																																																																					
Standing order paid for rates	✓ (1)																																																																																																					

Question	Answer	Marks
1(c)	<p>Advantages Loan interest may be lower than overdraft interest (1) No interest on overdraft to pay (1) Have a longer time to repay a loan (1) May improve relationship with bank (1) Bank balance would be improved/liquidity would be improved (1) New office furniture should lead to a better working environment (1) Accept other valid points (Max 2)</p> <p>Disadvantages Loan will have to be repaid (1) Loan interest will have to be paid (1) Early repayment may not be allowed (1) The bank may require security (1) No income/profit is generated from the office furniture (1) Accept other valid points (Max 2)</p> <p>Recommendation (1)</p>	5

Question	Answer	Marks																																																															
2(a)	<p style="text-align: center;">John and Banu</p> <p style="text-align: center;">Income Statement for the year ended 31 March 2021</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">\$</th> <th style="width: 20%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">158 000</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">9 400</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>69 200</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">78 600</td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td style="text-align: right;"><u>9 200</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>69 400</u> (1)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">88 600 (1)OF</td> </tr> <tr> <td>Commission receivable (4 800 + 300)</td> <td></td> <td style="text-align: right;"><u>5 100</u> (1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">93 700</td> </tr> <tr> <td>Less Expenses</td> <td></td> <td></td> </tr> <tr> <td>Rates and insurance (11 250 + 650)</td> <td style="text-align: right;">11 900 (1)</td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">10 475}</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">9 675}(1)</td> <td></td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">2 000 (1)</td> <td></td> </tr> <tr> <td>Depreciation of fittings (15% × 18 000)</td> <td style="text-align: right;"><u>2 700</u> (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>36 750</u></td> </tr> <tr> <td>Profit from operations</td> <td></td> <td style="text-align: right;">56 950</td> </tr> <tr> <td>Loan interest</td> <td></td> <td style="text-align: right;"><u>500</u> (1)</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>56 450</u> (1)OF</td> </tr> </tbody> </table>		\$	\$	Revenue		158 000	Cost of sales			Opening inventory	9 400		Purchases	<u>69 200</u>			78 600		Less Closing inventory	<u>9 200</u>				<u>69 400</u> (1)	Gross profit		88 600 (1)OF	Commission receivable (4 800 + 300)		<u>5 100</u> (1)			93 700	Less Expenses			Rates and insurance (11 250 + 650)	11 900 (1)		Wages	10 475}		General expenses	9 675}(1)		Discount allowed	2 000 (1)		Depreciation of fittings (15% × 18 000)	<u>2 700</u> (1)				<u>36 750</u>	Profit from operations		56 950	Loan interest		<u>500</u> (1)	Profit for the year		<u>56 450</u> (1)OF	9
	\$	\$																																																															
Revenue		158 000																																																															
Cost of sales																																																																	
Opening inventory	9 400																																																																
Purchases	<u>69 200</u>																																																																
	78 600																																																																
Less Closing inventory	<u>9 200</u>																																																																
		<u>69 400</u> (1)																																																															
Gross profit		88 600 (1)OF																																																															
Commission receivable (4 800 + 300)		<u>5 100</u> (1)																																																															
		93 700																																																															
Less Expenses																																																																	
Rates and insurance (11 250 + 650)	11 900 (1)																																																																
Wages	10 475}																																																																
General expenses	9 675}(1)																																																																
Discount allowed	2 000 (1)																																																																
Depreciation of fittings (15% × 18 000)	<u>2 700</u> (1)																																																																
		<u>36 750</u>																																																															
Profit from operations		56 950																																																															
Loan interest		<u>500</u> (1)																																																															
Profit for the year		<u>56 450</u> (1)OF																																																															

Question	Answer				Marks																																																																																				
2(b)	<p style="text-align: center;">John and Banu Appropriation Account for the year ended 31 March 2021</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 10%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td></td> <td></td> <td></td> <td style="text-align: right;">56 450</td> <td style="text-align: right;">OF</td> </tr> <tr> <td>Add interest on drawings</td> <td>John</td> <td style="text-align: right;">1 140</td> <td style="text-align: right;">}</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Banu</td> <td style="text-align: right;"><u>1 260</u></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;"><u>2 400</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">58 850</td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on capital</td> <td>John</td> <td style="text-align: right;">2 250</td> <td style="text-align: right;">}</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Banu</td> <td style="text-align: right;"><u>1 500</u></td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">3 750</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Salary</td> <td>John</td> <td style="text-align: right;"><u>8 500</u></td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>12 250</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">46 600</td> <td></td> </tr> <tr> <td>Profit share</td> <td>John (40% × 46 600)</td> <td style="text-align: right;">18 640</td> <td style="text-align: right;">(1) OF</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Banu (60% × 46 600)</td> <td style="text-align: right;"><u>27 960</u></td> <td style="text-align: right;">(1) OF</td> <td style="text-align: right;"><u>46 600</u></td> <td></td> </tr> </tbody> </table>						\$		\$		Profit for the year				56 450	OF	Add interest on drawings	John	1 140	}				Banu	<u>1 260</u>	(1)	<u>2 400</u>						58 850		Less						Interest on capital	John	2 250	}				Banu	<u>1 500</u>	(1)					3 750				Salary	John	<u>8 500</u>	(1)							<u>12 250</u>						46 600		Profit share	John (40% × 46 600)	18 640	(1) OF				Banu (60% × 46 600)	<u>27 960</u>	(1) OF	<u>46 600</u>		5
		\$		\$																																																																																					
Profit for the year				56 450	OF																																																																																				
Add interest on drawings	John	1 140	}																																																																																						
	Banu	<u>1 260</u>	(1)	<u>2 400</u>																																																																																					
				58 850																																																																																					
Less																																																																																									
Interest on capital	John	2 250	}																																																																																						
	Banu	<u>1 500</u>	(1)																																																																																						
		3 750																																																																																							
Salary	John	<u>8 500</u>	(1)																																																																																						
				<u>12 250</u>																																																																																					
				46 600																																																																																					
Profit share	John (40% × 46 600)	18 640	(1) OF																																																																																						
	Banu (60% × 46 600)	<u>27 960</u>	(1) OF	<u>46 600</u>																																																																																					

Question	Answer	Marks																					
2(c)(i)	To discourage the partners from taking drawings (1) Accept other valid points	1																					
2(c)(ii)	To reward John for lending money to the business To compensate John for the interest he could have earned elsewhere (1) (Max 1) Accept other valid points	1																					
2(d)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 60%;">Continuity of existence of the business</td> <td style="width: 10%;"></td> <td style="width: 30%;"></td> </tr> <tr> <td>Banu may have skills and knowledge which John does not have</td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>John is only liable for business debts up to the amount he agreed to contribute</td> <td></td> <td></td> </tr> <tr> <td>Additional finance is available to the business</td> <td style="text-align: center;">✓ }</td> <td></td> </tr> <tr> <td>Risks and responsibilities are shared</td> <td style="text-align: center;">✓ }(1)</td> <td></td> </tr> <tr> <td>John is bound by the actions of Banu carried out on behalf of the business</td> <td></td> <td></td> </tr> <tr> <td>John can discuss matters with Banu before making decisions.</td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> </tbody> </table> <p>+ (1) if items 1, 3 and 6 are un-ticked</p>	Continuity of existence of the business			Banu may have skills and knowledge which John does not have	✓(1)		John is only liable for business debts up to the amount he agreed to contribute			Additional finance is available to the business	✓ }		Risks and responsibilities are shared	✓ }(1)		John is bound by the actions of Banu carried out on behalf of the business			John can discuss matters with Banu before making decisions.	✓(1)		4
Continuity of existence of the business																							
Banu may have skills and knowledge which John does not have	✓(1)																						
John is only liable for business debts up to the amount he agreed to contribute																							
Additional finance is available to the business	✓ }																						
Risks and responsibilities are shared	✓ }(1)																						
John is bound by the actions of Banu carried out on behalf of the business																							
John can discuss matters with Banu before making decisions.	✓(1)																						

https://xtremepape.rs/

Question	Answer						Marks
3(a)	TC Limited Rent and rates account						5
	Date 2021	Details	\$	Date 2021	Details	\$	
	Jan 31	Total to date Balance c/d (rates)	(1) 19 620 550	Jan 31	Manufacturing account (1)OF Income statement (1)OF Balance c/d (rent)	9 485 9 485 <u>1 200</u>	
	Feb 1	Balance b/d (rent)	(1) <u>20 170</u> 1 200	Feb 1	Balance b/d (rates) (1)	<u>20 170</u> 550	
Ignore dates							

Question	Answer	Marks																																																															
3(b)	<p style="text-align: center;">TC Limited Manufacturing Account for the year ended 31 January 2021</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%; text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Cost of material consumed</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory of raw material</td> <td></td> <td style="text-align: right;">7 500</td> </tr> <tr> <td>Purchases of raw material</td> <td style="text-align: right;">91 400</td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;"><u>6 280</u></td> <td style="text-align: right;"><u>97 680</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">105 180</td> </tr> <tr> <td>Less Closing inventory of raw material</td> <td></td> <td style="text-align: right;"><u>8 000</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">97 180 (1)</td> </tr> <tr> <td>Direct wages</td> <td></td> <td style="text-align: right;"><u>52 000</u> (1)</td> </tr> <tr> <td>Prime cost</td> <td></td> <td style="text-align: right;">149 180 (1) OF</td> </tr> <tr> <td>Factory overheads</td> <td></td> <td></td> </tr> <tr> <td>Wages of factory supervisor</td> <td style="text-align: right;">23 100 (1)</td> <td></td> </tr> <tr> <td>Rent and rates</td> <td style="text-align: right;">9 485 (1)OF</td> <td></td> </tr> <tr> <td>Insurance (75% × 4 600)</td> <td style="text-align: right;">3 450 (1)</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">4 200</td> <td></td> </tr> <tr> <td>Depreciation of factory equipment (90 000 – 30 960) × 20%</td> <td style="text-align: right;"><u>11 808</u> (1)</td> <td style="text-align: right;"><u>52 043</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">201 223 (1)OF</td> </tr> <tr> <td>Add opening work-in-progress</td> <td></td> <td style="text-align: right;"><u>11 220</u> *</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">212 443</td> </tr> <tr> <td>Less closing work-in-progress</td> <td></td> <td style="text-align: right;"><u>11 900</u> *</td> </tr> <tr> <td>Cost of production</td> <td></td> <td style="text-align: right;"><u>200 543</u> (1) OF</td> </tr> </tbody> </table> <p>* (1) for both opening and closing work-in-progress</p>		\$	\$	Cost of material consumed			Opening inventory of raw material		7 500	Purchases of raw material	91 400		Carriage inwards	<u>6 280</u>	<u>97 680</u>			105 180	Less Closing inventory of raw material		<u>8 000</u>			97 180 (1)	Direct wages		<u>52 000</u> (1)	Prime cost		149 180 (1) OF	Factory overheads			Wages of factory supervisor	23 100 (1)		Rent and rates	9 485 (1)OF		Insurance (75% × 4 600)	3 450 (1)		General expenses	4 200		Depreciation of factory equipment (90 000 – 30 960) × 20%	<u>11 808</u> (1)	<u>52 043</u>			201 223 (1)OF	Add opening work-in-progress		<u>11 220</u> *			212 443	Less closing work-in-progress		<u>11 900</u> *	Cost of production		<u>200 543</u> (1) OF	10
	\$	\$																																																															
Cost of material consumed																																																																	
Opening inventory of raw material		7 500																																																															
Purchases of raw material	91 400																																																																
Carriage inwards	<u>6 280</u>	<u>97 680</u>																																																															
		105 180																																																															
Less Closing inventory of raw material		<u>8 000</u>																																																															
		97 180 (1)																																																															
Direct wages		<u>52 000</u> (1)																																																															
Prime cost		149 180 (1) OF																																																															
Factory overheads																																																																	
Wages of factory supervisor	23 100 (1)																																																																
Rent and rates	9 485 (1)OF																																																																
Insurance (75% × 4 600)	3 450 (1)																																																																
General expenses	4 200																																																																
Depreciation of factory equipment (90 000 – 30 960) × 20%	<u>11 808</u> (1)	<u>52 043</u>																																																															
		201 223 (1)OF																																																															
Add opening work-in-progress		<u>11 220</u> *																																																															
		212 443																																																															
Less closing work-in-progress		<u>11 900</u> *																																																															
Cost of production		<u>200 543</u> (1) OF																																																															

Question	Answer	Marks
3(c)	<p>Advantages To apply the principle of consistency OR the other non-current assets are depreciated so these should also be depreciated (1) To apply the principle of matching OR to spread the cost over expected useful life (1) Are non-current assets so should be depreciated/they lose value over their useful life so should be depreciated (1) Accept other valid points (Max 2)</p> <p>Disadvantages The cost of the items may not be material (1) The amount of depreciation would be insignificant (1) The items may not last more than one year (1) Accept other valid points (Max 2)</p> <p>Recommendation (1)</p>	5

Question	Answer	Marks																																																			
4(a)	<p style="text-align: center;">Neith</p> <p style="text-align: center;">Corrected Trial balance at 31 March 2021</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%; text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Fixtures and equipment at cost</td> <td style="text-align: right;">300 000</td> <td></td> </tr> <tr> <td>Provision for depreciation of fixtures and equipment</td> <td></td> <td style="text-align: right;">120 000 (1)</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">8 800 (1)</td> <td></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">16 100 (1)</td> <td></td> </tr> <tr> <td>Provision for doubtful debts</td> <td></td> <td style="text-align: right;">322</td> </tr> <tr> <td>Petty cash</td> <td style="text-align: right;">100</td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td></td> <td style="text-align: right;">11 400 (1)</td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">3 200</td> </tr> <tr> <td>Capital at 1 April 2020</td> <td></td> <td style="text-align: right;">160 000</td> </tr> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">107 498</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">41 520</td> <td></td> </tr> <tr> <td>Rent and rates</td> <td style="text-align: right;">16 000</td> <td></td> </tr> <tr> <td>Office expenses</td> <td style="text-align: right;">9 000</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">8 150</td> <td></td> </tr> <tr> <td>Other receivables</td> <td style="text-align: right;">2 750 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>402 420</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>402 420 (1)both</u></td> </tr> </tbody> </table>		\$	\$	Fixtures and equipment at cost	300 000		Provision for depreciation of fixtures and equipment		120 000 (1)	Inventory	8 800 (1)		Trade receivables	16 100 (1)		Provision for doubtful debts		322	Petty cash	100		Bank overdraft		11 400 (1)	Trade payables		3 200	Capital at 1 April 2020		160 000	Sales		107 498	Purchases	41 520		Rent and rates	16 000		Office expenses	9 000		General expenses	8 150		Other receivables	2 750 (1)			<u>402 420</u>	<u>402 420 (1)both</u>	6
	\$	\$																																																			
Fixtures and equipment at cost	300 000																																																				
Provision for depreciation of fixtures and equipment		120 000 (1)																																																			
Inventory	8 800 (1)																																																				
Trade receivables	16 100 (1)																																																				
Provision for doubtful debts		322																																																			
Petty cash	100																																																				
Bank overdraft		11 400 (1)																																																			
Trade payables		3 200																																																			
Capital at 1 April 2020		160 000																																																			
Sales		107 498																																																			
Purchases	41 520																																																				
Rent and rates	16 000																																																				
Office expenses	9 000																																																				
General expenses	8 150																																																				
Other receivables	2 750 (1)																																																				
	<u>402 420</u>	<u>402 420 (1)both</u>																																																			

Question	Answer				Marks																								
4(b)	<p style="text-align: center;">Neith Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="367 284 568 379">Error number</th> <th data-bbox="575 284 1061 379">Details</th> <th data-bbox="1068 284 1218 379">Debit \$</th> <th data-bbox="1225 284 1375 379">Credit \$</th> </tr> </thead> <tbody> <tr> <td data-bbox="367 384 568 480" style="text-align: center;">1</td> <td data-bbox="575 384 1061 480">General expenses Office expenses</td> <td data-bbox="1068 384 1218 480" style="text-align: center;">32 (1)</td> <td data-bbox="1225 384 1375 480" style="text-align: center;">32 (1)</td> </tr> <tr> <td data-bbox="367 485 568 580" style="text-align: center;">2</td> <td data-bbox="575 485 1061 580">Sales Anya</td> <td data-bbox="1068 485 1218 580" style="text-align: center;">75 (1)</td> <td data-bbox="1225 485 1375 580" style="text-align: center;">75 (1)</td> </tr> <tr> <td data-bbox="367 585 568 681" style="text-align: center;">3</td> <td data-bbox="575 585 1061 681">Purchases Samir</td> <td data-bbox="1068 585 1218 681" style="text-align: center;">120 (1)</td> <td data-bbox="1225 585 1375 681" style="text-align: center;">120 (1)</td> </tr> <tr> <td data-bbox="367 686 568 782" style="text-align: center;">4</td> <td data-bbox="575 686 1061 782">Bank Office expenses</td> <td data-bbox="1068 686 1218 782" style="text-align: center;">72 (1)</td> <td data-bbox="1225 686 1375 782" style="text-align: center;">72 (1)</td> </tr> <tr> <td data-bbox="367 786 568 882" style="text-align: center;">5</td> <td data-bbox="575 786 1061 882">Office expenses/cleaning expenses Fixtures and equipment</td> <td data-bbox="1068 786 1218 882" style="text-align: center;">235 (1)</td> <td data-bbox="1225 786 1375 882" style="text-align: center;">235 (1)</td> </tr> </tbody> </table>				Error number	Details	Debit \$	Credit \$	1	General expenses Office expenses	32 (1)	32 (1)	2	Sales Anya	75 (1)	75 (1)	3	Purchases Samir	120 (1)	120 (1)	4	Bank Office expenses	72 (1)	72 (1)	5	Office expenses/cleaning expenses Fixtures and equipment	235 (1)	235 (1)	10
Error number	Details	Debit \$	Credit \$																										
1	General expenses Office expenses	32 (1)	32 (1)																										
2	Sales Anya	75 (1)	75 (1)																										
3	Purchases Samir	120 (1)	120 (1)																										
4	Bank Office expenses	72 (1)	72 (1)																										
5	Office expenses/cleaning expenses Fixtures and equipment	235 (1)	235 (1)																										
4(c)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="351 916 553 975">Error number</th> <th data-bbox="560 916 851 975">Increases capital</th> <th data-bbox="857 916 1149 975">Decreases capital</th> <th data-bbox="1155 916 1447 975">No effect on capital</th> </tr> </thead> <tbody> <tr> <td data-bbox="351 979 553 1038" style="text-align: center;">1</td> <td data-bbox="560 979 851 1038"></td> <td data-bbox="857 979 1149 1038"></td> <td data-bbox="1155 979 1447 1038" style="text-align: center;">✓</td> </tr> <tr> <td data-bbox="351 1043 553 1102" style="text-align: center;">2</td> <td data-bbox="560 1043 851 1102"></td> <td data-bbox="857 1043 1149 1102" style="text-align: center;">✓ (1)</td> <td data-bbox="1155 1043 1447 1102"></td> </tr> <tr> <td data-bbox="351 1107 553 1166" style="text-align: center;">3</td> <td data-bbox="560 1107 851 1166"></td> <td data-bbox="857 1107 1149 1166" style="text-align: center;">✓ (1)</td> <td data-bbox="1155 1107 1447 1166"></td> </tr> <tr> <td data-bbox="351 1171 553 1230" style="text-align: center;">4</td> <td data-bbox="560 1171 851 1230" style="text-align: center;">✓ (1)</td> <td data-bbox="857 1171 1149 1230"></td> <td data-bbox="1155 1171 1447 1230"></td> </tr> <tr> <td data-bbox="351 1235 553 1294" style="text-align: center;">5</td> <td data-bbox="560 1235 851 1294"></td> <td data-bbox="857 1235 1149 1294" style="text-align: center;">✓ (1)</td> <td data-bbox="1155 1235 1447 1294"></td> </tr> </tbody> </table>				Error number	Increases capital	Decreases capital	No effect on capital	1			✓	2		✓ (1)		3		✓ (1)		4	✓ (1)			5		✓ (1)		4
Error number	Increases capital	Decreases capital	No effect on capital																										
1			✓																										
2		✓ (1)																											
3		✓ (1)																											
4	✓ (1)																												
5		✓ (1)																											

Question	Answer	Marks	
5(a)	Trade receivables turnover (days)	4	
	workings		answer
	$\frac{12\,400}{191\,000} \times \frac{365}{1}$ whole formula(1)		24 days (1)
	Trade payables turnover (days)		
	workings		answer
	$\frac{7\,000}{120\,000} \times \frac{365}{1}$ whole formula(1)		22 days (1)

Question	Answer	Marks		
5(b)(i)	<p>Answers to be based on OF answers to (a)</p> <table border="1" data-bbox="349 284 1776 826"> <tr> <td data-bbox="349 284 1061 826"> <p>Ahu</p> <p>Allows trade receivables a longer credit period (1)</p> <p>Has an inefficient credit control system/slower to resort to legal action (1)</p> <p>Offers no cash discount/lower rate of cash discount for prompt payment (1)</p> <p>Charge no interest/lower rate of interest on overdue Accounts (1)</p> <p>Does not make use of invoice discounting and factoring (1)</p> </td> <td data-bbox="1061 284 1776 826"> <p>Omer</p> <p>Allows trade receivables a shorter credit period (1)</p> <p>Has a more efficient credit control system/quicker to resort to legal action (1)</p> <p>Offers cash discount/higher rate of cash discount for prompt payment (1)</p> <p>Charge interest/higher rate of interest on overdue Accounts (1)</p> <p>Makes use of invoice discounting and factoring (1)</p> </td> </tr> </table> <p>Accept other valid points (Max 2)</p>	<p>Ahu</p> <p>Allows trade receivables a longer credit period (1)</p> <p>Has an inefficient credit control system/slower to resort to legal action (1)</p> <p>Offers no cash discount/lower rate of cash discount for prompt payment (1)</p> <p>Charge no interest/lower rate of interest on overdue Accounts (1)</p> <p>Does not make use of invoice discounting and factoring (1)</p>	<p>Omer</p> <p>Allows trade receivables a shorter credit period (1)</p> <p>Has a more efficient credit control system/quicker to resort to legal action (1)</p> <p>Offers cash discount/higher rate of cash discount for prompt payment (1)</p> <p>Charge interest/higher rate of interest on overdue Accounts (1)</p> <p>Makes use of invoice discounting and factoring (1)</p>	2
<p>Ahu</p> <p>Allows trade receivables a longer credit period (1)</p> <p>Has an inefficient credit control system/slower to resort to legal action (1)</p> <p>Offers no cash discount/lower rate of cash discount for prompt payment (1)</p> <p>Charge no interest/lower rate of interest on overdue Accounts (1)</p> <p>Does not make use of invoice discounting and factoring (1)</p>	<p>Omer</p> <p>Allows trade receivables a shorter credit period (1)</p> <p>Has a more efficient credit control system/quicker to resort to legal action (1)</p> <p>Offers cash discount/higher rate of cash discount for prompt payment (1)</p> <p>Charge interest/higher rate of interest on overdue Accounts (1)</p> <p>Makes use of invoice discounting and factoring (1)</p>			

Question	Answer	Marks														
5(b)(ii)	<p>Answers to be based on OF answers to (a)</p> <table border="1" data-bbox="349 284 1821 858"> <tr> <td data-bbox="349 284 1084 336">Ahu</td> <td data-bbox="1084 284 1821 336">Omer</td> </tr> <tr> <td data-bbox="349 336 1084 405">Is allowed a longer credit period by trade payables(1)</td> <td data-bbox="1084 336 1821 405">Is allowed a shorter credit period by trade payables (1)</td> </tr> <tr> <td data-bbox="349 405 1084 507">Suppliers offer no cash discount/lower rate of cash discount for prompt payment (1)</td> <td data-bbox="1084 405 1821 507">Suppliers offer cash discount/higher rate of cash discount for prompt payment (1)</td> </tr> <tr> <td data-bbox="349 507 1084 609">Suppliers charge no interest/lower rate of interest on overdue accounts (1)</td> <td data-bbox="1084 507 1821 609">Suppliers charge interest/higher rate of interest on overdue accounts (1)</td> </tr> <tr> <td data-bbox="349 609 1084 678">Credit customers take longer to pay (1)</td> <td data-bbox="1084 609 1821 678">Credit customers pay more quickly (1)</td> </tr> <tr> <td data-bbox="349 678 1084 746">Has less liquidity/is less able to pay the suppliers (1)</td> <td data-bbox="1084 678 1821 746">Has more liquidity/is more able to pay suppliers (1)</td> </tr> <tr> <td data-bbox="349 746 1084 858">Is a more established customer so suppliers may be more flexible on credit period taken (1)</td> <td data-bbox="1084 746 1821 858">Is paying quickly in order to establish a good relationship with suppliers (1)</td> </tr> </table> <p>Accept other valid points (Max 2)</p>	Ahu	Omer	Is allowed a longer credit period by trade payables(1)	Is allowed a shorter credit period by trade payables (1)	Suppliers offer no cash discount/lower rate of cash discount for prompt payment (1)	Suppliers offer cash discount/higher rate of cash discount for prompt payment (1)	Suppliers charge no interest/lower rate of interest on overdue accounts (1)	Suppliers charge interest/higher rate of interest on overdue accounts (1)	Credit customers take longer to pay (1)	Credit customers pay more quickly (1)	Has less liquidity/is less able to pay the suppliers (1)	Has more liquidity/is more able to pay suppliers (1)	Is a more established customer so suppliers may be more flexible on credit period taken (1)	Is paying quickly in order to establish a good relationship with suppliers (1)	2
Ahu	Omer															
Is allowed a longer credit period by trade payables(1)	Is allowed a shorter credit period by trade payables (1)															
Suppliers offer no cash discount/lower rate of cash discount for prompt payment (1)	Suppliers offer cash discount/higher rate of cash discount for prompt payment (1)															
Suppliers charge no interest/lower rate of interest on overdue accounts (1)	Suppliers charge interest/higher rate of interest on overdue accounts (1)															
Credit customers take longer to pay (1)	Credit customers pay more quickly (1)															
Has less liquidity/is less able to pay the suppliers (1)	Has more liquidity/is more able to pay suppliers (1)															
Is a more established customer so suppliers may be more flexible on credit period taken (1)	Is paying quickly in order to establish a good relationship with suppliers (1)															

Question	Answer	Marks												
5(c)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: left;">Advantages of employing marketing manager</th> <th style="width: 50%; text-align: left;">Disadvantages of employing marketing manager</th> </tr> </thead> <tbody> <tr> <td>May increase sales and may increase profit (1)</td> <td>Manager's salary will increase expenses (1)</td> </tr> <tr> <td>May improve business reputation/brand image (1)</td> <td>Increased cost of marketing/marketing expenses (1)</td> </tr> <tr> <td>Can utilise experience and skills of manager (1)</td> <td>Manager may not be experienced/effective (1)</td> </tr> <tr> <td>May increase market share (1)</td> <td>Increase in sales/profit may be less than salary (1)</td> </tr> <tr> <td>Accept other valid points</td> <td>Accept other valid points</td> </tr> </tbody> </table> <p>(Max 4)</p> <p>Recommendation (1)</p>	Advantages of employing marketing manager	Disadvantages of employing marketing manager	May increase sales and may increase profit (1)	Manager's salary will increase expenses (1)	May improve business reputation/brand image (1)	Increased cost of marketing/marketing expenses (1)	Can utilise experience and skills of manager (1)	Manager may not be experienced/effective (1)	May increase market share (1)	Increase in sales/profit may be less than salary (1)	Accept other valid points	Accept other valid points	5
Advantages of employing marketing manager	Disadvantages of employing marketing manager													
May increase sales and may increase profit (1)	Manager's salary will increase expenses (1)													
May improve business reputation/brand image (1)	Increased cost of marketing/marketing expenses (1)													
Can utilise experience and skills of manager (1)	Manager may not be experienced/effective (1)													
May increase market share (1)	Increase in sales/profit may be less than salary (1)													
Accept other valid points	Accept other valid points													
5(d)	<p>Establish a credit limit for each customer (1) Issue invoices and statements promptly (1) Improve credit control/maintain good credit control system (1) Refuse further supplies until outstanding balance paid (1) Take legal action if necessary (1) Allow cash discount for prompt payment (1) Sell on a cash basis only/reduce credit sales (1) Accept other valid points (Max 3)</p>	3												

Question	Answer	Marks
5(e)	<p>Matching To ensure that the revenue of the accounting period is matched against the costs of the same period (1)</p> <p>Prudence Profit should not be anticipated but all possible losses should be provided for (1) To ensure that profits and assets are not overstated (1) To ensure that losses and liabilities are not understated (1) (Max 1)</p> <p>Consistency To ensure that accounting methods are used consistently from one period to the next (1) To allow comparison of financial statements from year to year (1) (Max 1)</p> <p>Business entity To ensure that the accounting records relate only to the business (1) To ensure that the business is treated completely separately from the owner of the business (1) (Max 1)</p>	4