Cambridge O Level

ACCOUNTING	**7707/22**
Paper 2 Structured	**May/June 2025**
MARK SCHEME	
Maximum Mark: 100	

Published

This document consists of **14** printed pages.

[Turn over

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 descriptions 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.

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
✔	Indicates a point which is relevant and rewardable
✖	Indicates a point which is inaccurate/irrelevant and not rewardable
BOD	Used when the benefit of the doubt is given in order to reward a response
A	An extraneous figure or item in the statement
OF	Own figure
SEEN	Indicates that content has been recognised but not rewarded
REP	Indicates where content has been repeated.

Question	Answer	Marks
1(a)	Kadima Cash Book	12

Kadima
Cash Book

Date	Details		Disc Allowed $	Cash $	Bank $	Date	Details		Disc Rece $	Cash $	Bank $
2025						2025					
Mar 1	Balance b/d			50	840	Mar 4	Lee	(1)	4		196
6	Sophiah	(1)	9		291	14	Motor expenses	(1)		26	
19	Merve	(1)			375	22	Mark	(1)	10		240
28	Bank*			400		28	Cash	(1)*			400
						29	Wages	(1)		362	
						30	Motor expenses	(1)			91
						31	Balance c/d			62	579
			9**	450	1506			(1)OF	14**	450	1506
Apr 1	Balance b/d			62	579						
				(1)OF	(1)OF						

(1)* for both entries of transfer of cash to bank
** for both totals
+**(1)** for dates

Question	Answer	Marks
1(b)	$ Cash book balance 579 **(1)OF** Cash book error (357 – 375) (18 **(1)** Revised cash book balance 561 **(1)OF**	3
1(c)	**For requiring bank transfers and increased cash discount** Record keeping would be easier **(1)** Increase in cash discount may attract more customers / increase sales **(1)** Most businesses use bank transfers **(1)** Money is usually safer in the bank, than being held in cash / reduces risk of theft / fraud **(1)** No need to visit the bank to pay in cheques **(1)** Cheques may be returned unpaid **(1)** Cheques take time to clear **(1)** **Accept other valid points** **Max (3)** **Against requiring bank transfers and increased cash discount** Increased cash discount allowed would reduce profitability **(1)** Bank charges may increase **(1)** Some customers/suppliers may prefer to deal in cash/cheques **(1)** Not all customers may have a bank account **(1)** Employees may prefer to continue to be paid in cash **(1)** **Accept other valid points** **Max (3)** **Overall For and Against: Max (4)** **Recommendation (1)**	5

Question	Answer	Marks
2(a)	**Farah and Salma** **Appropriation Account for the year ended 28 February 2025**	6

<p style="text-align:center;">Farah and Salma
Appropriation Account for the year ended 28 February 2025</p>

	$	$
Profit for the year		38 175
Add Interest on drawings Farah	*95 **(1)**	
Salma	**210 **(1)**	305
		38 480
Less		
Interest on capital: Farah	1 040 **}**	
Salma	1 500 **} (1)**	
	2 540	
Salary – Farah	11 200 **(1)**	13 740
		24 740
Profit share: Farah (30% × 24 740)	7 422 **(1) OF**	
Salma (70% × 24 740)	17 318 **(1) OF**	24 740

(Farah (14 250 × 4% × 2/12) =95* Salma (14 250 × 4% × 2/12) + (5 750 × 4% × 6/12) = 210**

2(b)   Marks: **7**

<p style="text-align:center;">Farah
Current account</p>

Date 2025	Details		$	Date 2024	Details		$
Feb 28	Drawings	**(1)**	14 250	Mar 1	Balance b/d	**(1)**	3 450
	Interest on drawings	**(1)OF**	95	2025			
	Balance c/d		8 767	Feb 28	Interest on capital	**(1)OF**	1 040
					Salary	**(1)**	11 200
					Share of profit	**(1)OF**	7 422
			23 112				23 112
				Mar 1	Balance b/d	**(1)OF**	8 767

Question	Answer	Marks
2(c)	There may be insufficient money in the bank / reduces liquidity **(1)** There may be a limit on drawings (stated in the partnership agreement) **(1)** May damage the relationship between the partners **(1)** Salma would have to pay interest on drawings **(1)** **Accept other valid points** **Max (2)**	**2**
2(d)	**Advantages of converting to a limited company** Easier to raise capital / finance / loans **(1)** Shareholders have limited liability **(1)** Workload / responsibility is shared **(1)** Profit may increase **(1)** Farah receives an increase in salary **(1)** Limited company has continuity of existence / there is separate legal identity **(1)** **Accept other valid points** **Max (3)** **Disadvantages of converting to a limited company** Farah and Salma would lose control **(1)** The brothers may have no business experience **(1)** Increased legal and administrative costs **(1)** Cash / profit may be reduced to pay salaries/dividends **(1)** The investment may not be sufficient to fund the expansion **(1)** **Accept other valid points** **Max (3)** **Overall Advantages and Disadvantages: Max (4)** **Recommendation (1)**	**5**

Question	Answer	Marks
3(a)	Jasmine Provision for depreciation of motor vehicles account	4

Date 2025	Details	$	Date 2024	Details	$
			Apr 1	Balance b/d **(1)**	7 000
			2025		
Mar 31	Balance c/d	13 750	Mar 31	Income statement * **(2)CF or (1)****	6 750
		13 750			13 750
			2025		
			Apr 1	Balance b/d **(1)OF**	13 750

* (16 000 – 7 000 + 18 000 =) 27 000 × 25% = 6 750 **2250 or 4500 = 1 **must be a credit entry with IS label**

Question	Answer	Marks
3(b)	Jasmine Provision for doubtful debts account	4

Date 2025	Details	$	Date 2024	Details	$
Mar 31	Income statement **(1)OF** Balance c/d	21 345	Apr 1	Balance b/d **(1)**	366
		366			366
			2025		
			Apr 1	Balance b/d* **(2)CF or (1)**	345

* (11 800 – 300 =) 11 500 × 3% = 345

Question	Answer	Marks
3(c)	Jasmine Rent and Rates account	6

Date 2024	Details		$	Date 2024	Details		$
Apr 1	Balance b/d	**(1)**	900	Apr 1	Balance b/d	**(1)**	270
2025				2025			
Mar 31	Bank	**(1)**	14 960	Mar 31	Income statement	**(1)OF**	14 850
	Balance c/d		185		Balance c/d		925
			16 045				16 045
Apr 1	Balance b/d	**(1)**	925	Apr 1	Balance b/d	**(1)**	185

Question	Answer	Marks
3(d)	Jasmine Statement of Financial Position as at 31 March 2025	3

	$	
Current Assets		
Trade receivables (11 800 – 300)	11 500	
Less Provision for doubtful debts	345 **OF**	
	11 155 **(1)OF**	
Other receivables	925 **(1)**	
	12 080 **(1)OF**	

Question	Answer	Marks
3(e)(i)	Depreciation is charged using the same method each year. **(1)**	1
3(e)(ii)	Obtaining credit references / Establishing credit limits **(1)** Sending invoices and statements promptly **(1)** Improve credit control / monitoring/investigating/chasing overdue accounts **(1)** Refusing to supply customers until outstanding amounts have been paid **(1)** Taking legal action **(1)** **Max (1)**	1
3(e)(iii)	Matching / accruals **(1)**	1

Question	Answer	Marks
4(a)	Bilal Journal	**11**

Error number	Details	Debit $	Credit $
1	Cash Purchases	185 **(1)**	 185 **(1)**
2	Motor expenses Bank	27 **(1)**	 27 **(1)**
3	Bank loan Capital	2000 **(1)**	 2000**(1)**

4	Purchases
	    Moira
	    Maya
		168 **(1)**	
			84 **(1)**
			84 **(1)**

5	Drawings Insurance	130 **(1)**	 130 **(1)**

Question	Answer	Marks
4(b)		5

	$	
Original profit for the year	*12 930*	
Error 1	185 **(1)**	
Error 2	(27) **(1)**	
Error 4	(168) **(1)**	
Error 5	130 **(1)**	
Draft profit for the year after correcting errors	13 050 **(1)OF**	

Question	Answer	Marks
4(c)		4

	$	
Capital at 1 January 2024	*6 200*	
Revised draft profit	13 050 **(1)OF**	
Capital introduced	2 000 **(1)**	
	21 250	
Less Drawings (11 260 + 130)	(11 390) **(1)**	
Capital at 31 December 2024	9 860 **(1)OF**	

Question	Answer	Marks
5(a)	Rexford Purchases ledger control account	4

Date	Details	$	Date	Details	$
2024			2024		
Dec 31	Bank }	68 100	Jan 1	Balance b/d **(1)**	5 680
	Discount received } **(1)**	380	Dec 31	Purchases **(1)OF**	69 900
	Balance c/d (5 680 × 1.25)	7 100			
		75 580			75 580
			2025		
			Jan 1	Balance b/d **(1)**	7 100

Question	Answer	Marks
5(b)	Rexford Income statement for the year ended 31 December 2024 <table><tr><td></td><td>$</td><td>$</td></tr><tr><td>Revenue (69 500 × 1.5)</td><td></td><td>104 250 **(1)OF**</td></tr><tr><td>Cost of sales</td><td></td><td></td></tr><tr><td>Opening inventory</td><td>6 000</td><td></td></tr><tr><td>Purchases</td><td>69 900 **OF**</td><td></td></tr><tr><td></td><td>75 900</td><td></td></tr><tr><td>Less Closing inventory</td><td>6 400 **(1)**</td><td>69 500 **(1)OF**</td></tr><tr><td>Gross profit</td><td></td><td>34 750 **(1)OF**</td></tr><tr><td>Discount received</td><td></td><td>380 **(1)**</td></tr><tr><td></td><td></td><td>35 130</td></tr><tr><td>Rent and insurance (10 120 + 300)</td><td>10 420 **(1)**</td><td></td></tr><tr><td>General expenses</td><td>4 730</td><td></td></tr><tr><td>Wages</td><td>6 400</td><td></td></tr><tr><td>Depreciation on fixtures and fittings (20% × 28 000)</td><td>5 600 **(1)**</td><td>27 150</td></tr><tr><td>Profit for the year</td><td></td><td>7 980 **(1)OF**</td></tr></table>	8
5(c)	21 750 + 104 250 **(1)OF** − 103 200**(1)** = 22 800**(1)OF*** *(Opening trade receivables + Revenue **(OF)** − Receipts from sales = Closing trade receivables **(OF)**	3

Question	Answer	Marks
5(d)	**For employing a bookkeeper** More reliable records / more accurate records / less errors **(1)** More up-to-date figures available, e.g. bank, trade receivables, trade payables **(1)** Time freed up for other tasks **(1)** Payments to trade payables will be monitored so that more cash discount is claimed **(1)** More detailed records would be available for reference purposes / easier to prepare financial statements **(1)** **Accept other valid points** **Max (2)** **Against employing a bookkeeper** The salary would reduce profit / increases expenses **(1)** There would be a reduction in cash/liquidity. **(1)** The money may be better spent elsewhere e.g. new fixtures and fittings **(1)** The book-keeper will not prepare the financial statements **(1)** **Accept other valid points** **Max (2)** **Overall For and Against: Max (4)** **Recommendation (1)**	5