CAMBRIDGE
International Education

Cambridge O Level

ACCOUNTING **7707/23**

Paper 2 (Structured) **October/November 2025**

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 October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **17** printed pages.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

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 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.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

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.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

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).

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

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.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

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 standard isation 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
	Used when the benefit of the doubt is given in order to reward a response
	An extraneous figure or item in the statement
	Own figure
	Indicates that content has been recognised but not rewarded
	Indicates where content has been repeated.

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks
1(a)		12

Date 2025	Details	Total received $	Date 2025	Details	Total paid $	Cleaning $	Fuel $	Office expense $	Travel expense $	Ledger accounts $
Apr 1	Balance	350.00	Apl 3	Fuel **(1)**	36.00		36.00			
			4	Tea, coffee, juice **(1)**	34.00			34.00		
			9	Taxi fare **(1)**	24.00				24.00	
			11	AB Autoparts **(1)**	78.00					78.00
			12	Printer paper **(1)**	8.00			8.00		
			14	Window cleaning **(1)**	30.00	30.00				
			27	Train ticket **(1)**	8.50				8.50	
			30	Office cleaning **(1)**	45.00	45.00				
					263.50	75.00	36.00	42.00	32.50	78.00
				Balance c/d	86.50					
		350 00			350 00					
2025 May1	Balance b/d **(1)OF**	86.50								
	Bank **(1)OF**	263.50								

(1) Dates
(1) OF Totalling analysis columns and total paid column

1(b)	Imprest **(1)**	**1**
1(c)	**Max 1** Reduces the number of entries in the cash book/reduces the number of entries in the general ledger **(1)** Reduces the possibility of theft/fraud **(1)** Provides training for junior employees **(1)** Reduces the workload of the chief cashier **(1)** **Accept other valid responses**	**1**

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>Max 2
Overpayment/underpayment by petty cashier (1)
Missing petty cash voucher/petty cash voucher not recorded (1)
Error in recording entry in petty cash book (1)
Fraud/theft (1)
Accept other valid responses</td><td>2</td></tr>
<tr><td>1(e)</td><td>Sid
Journal
<table>
<tr><th>Details</th><th>Debit
$</th><th>Credit
$</th><th></th></tr>
<tr><td>Drawings
Bank</td><td>1 500</td><td>
1 500</td><td>(1)
(1)</td></tr>
<tr><td>Purchases
AB Autoparts</td><td>664</td><td>
664</td><td>(1)
(1)</td></tr>
</table></td><td>4</td></tr>
</table>

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>
Jenny
Sales ledger control account
<table>
<tr><th>Date</th><th>Details</th><th></th><th>$</th><th>Date</th><th>Details</th><th></th><th>$</th></tr>
<tr><td>2025</td><td></td><td></td><td></td><td>2025</td><td></td><td></td><td></td></tr>
<tr><td>Feb 1</td><td>Balance b/d</td><td></td><td>1 895</td><td>Feb 28</td><td>Sales returns</td><td>(1)</td><td>7 300</td></tr>
<tr><td>28</td><td>Sales</td><td>(1)</td><td>42 600</td><td></td><td>Bank</td><td>(1)OF</td><td>33 300</td></tr>
<tr><td></td><td>Interest charged</td><td>(1)</td><td>510</td><td></td><td>Discount allowed</td><td>(1)</td><td>1 265</td></tr>
<tr><td></td><td>Balance c/d</td><td></td><td>750</td><td></td><td>Irrecoverable debts</td><td>(1)</td><td>1 040</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Contra entries</td><td>(1)</td><td>2 850</td></tr>
<tr><td></td><td></td><td></td><td>45 755</td><td></td><td></td><td></td><td>45 755</td></tr>
<tr><td></td><td></td><td></td><td></td><td>2025</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>Mar 1</td><td>Balance</td><td>(1)</td><td>750</td></tr>
</table>
(1) Dates
</td><td>9</td></tr>
<tr><td>2(b)</td><td>Max 1
Book-keeping can be divided between several members of staff (1)
Detail is removed from the general ledger/removes detail from sales account (1)
Useful for the preparation of control accounts (1)
Provides total of credit sales (1)
Useful for collating and summarising information about credit sales (1)
Accept other valid responses</td><td>1</td></tr>
<tr><td>2(c)</td><td>
<table>
<tr><th>Book of prime entry</th><th>Source document</th><th>Issued or received</th><th></th></tr>
<tr><td>Sales journal</td><td>Invoice</td><td>Issued</td><td>(1) Row</td></tr>
<tr><td>Purchase returns journal</td><td>Credit note</td><td>Received</td><td>(1) Row</td></tr>
</table>
</td><td>2</td></tr>
<tr><td>2(d)(i)</td><td>An allowance given when an account is settled within a specified time period (1)</td><td>1</td></tr>
<tr><td>2(d)(ii)</td><td>A reduction in the list price of goods/allowance to encourage bulk buying (1)</td><td>1</td></tr>
<tr><td>2(e)</td><td>Debit note (1)</td><td>1</td></tr>
</table>

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks
2(f)	**Arguments for creating a provision for doubtful debts** **Max 2** Profit for the year is not overstated/expenses for the year are not understated **(1)** Trade receivables shown at a more realistic amount/trade receivables not overstated/current assets not overstated **(1)** Applies the principle of matching/accruals **(1)** Applies the principle of prudence **(1)** **Arguments against creating a provision for doubtful debts** **Max 2** Provision is only an estimate/may not be accurate/does not ensure that the customer will pay **(1)** May be difficult to estimate the amount of doubtful debts **(1)** Has to be re-calculated each year/ time consuming **(1)** Profit for the year will be reduced/expenses for the year will be increased/larger impact on profit in the first year **(1)** **Accept other valid responses** **Recommendation (1)**	**5**

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>
<table>
<tr><td>Return on Capital employed (ROCE)
$\frac{36000+2450}{223100+49000} = \frac{38450\ \textbf{(1)}}{272100\ \textbf{(1)}} \times 100$</td><td>14.13% (1)OF</td></tr>
<tr><td>Rate of inventory turnover
$\frac{30000+310000-34000}{(34000+30000/)2} = \frac{306000}{32000}$ }1</td><td>9.56 times (1)OF</td></tr>
<tr><td>Trade receivables turnover (days)
$\frac{44000}{387000} \times 365$</td><td>42 days (1)</td></tr>
<tr><td>Trade payables turnover (days)
$\frac{31000}{310000} \times 365$</td><td>37 days (1)</td></tr>
<tr><td>Current ratio
$\frac{92900}{40800}$</td><td>2.28:1 (1)</td></tr>
</table>
</td><td>8</td></tr>
<tr><td>3(b)(i)</td><td>Max 2
Increase profit for the year/reduce expenses (1)
Reduce capital/increase drawings/withdraw capital (1)
Repay long-term loan/reduce long term liabilities (1)
Accept other valid responses</td><td>2</td></tr>
</table>

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)(ii)</td><td>Max 2
Increase quantity sold/ increase demand/start marketing campaign/make special offers (1)
Reduce selling prices/increase trade discount allowed to customers (1)
More efficient stock control/purchase less inventory/‘just in time’ purchasing (1)
Accept other valid responses</td><td>2</td></tr>
<tr><td>3(c)(i)</td><td>Inventory should be valued at the lower of cost or net realisable value (1)</td><td>1</td></tr>
<tr><td>3(c)(ii)</td><td>Prudence (1)</td><td>1</td></tr>
<tr><td>3(c)(iii)</td><td><table><tr><td colspan="2">Effect on Rushil’s gross profit</td></tr><tr><td>Increase</td><td>Decrease</td></tr><tr><td></td><td>✓ (1)</td></tr></table></td><td>1</td></tr>
</table>

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks
3(d)	**Arguments for offering a cash discount** **Max 3** May improve cash flow/money available to use within the business/encourage customers to pay quicker **(1)** May improve relationship with customer/improve customer loyalty **(1)** May improve sales/attract more customers **(1)** May reduce irrecoverable debts **(1)** **Arguments against offering a cash discount** **Max 3** Increase expenses/reduce profit for year/reduce profit margin **(1)** Less cash received on each sale **(1)** No guarantee customers will pay in the time specified **(1)** Does not necessarily reduce irrecoverable debts **(1)** May be time consuming to monitor **(1)** Book-keeping more time-consuming **(1)** Customer deduction of 2.5% discount, but they may not pay within the required timescale **(1)** **Accept other valid responses** **Recommendation (1)**	**5**

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>
Talula
Income statement for the year ended 30 September 2025

<table>
<tr><td></td><td>$</td><td>$</td></tr>
<tr><td>Income from hairdressing</td><td></td><td>124 700</td></tr>
<tr><td>Rent receivable (6400 + 1280)</td><td></td><td>7 680 (1)</td></tr>
<tr><td></td><td></td><td>132 380</td></tr>
<tr><td>Less Salaries</td><td>81 500 }</td><td></td></tr>
<tr><td>Electricity charges</td><td>23 500 }</td><td></td></tr>
<tr><td>Water charges</td><td>4 150 } (1)</td><td></td></tr>
<tr><td>General expenses</td><td>952 }</td><td></td></tr>
<tr><td>Insurance (2 067/13 × 12)</td><td>1 908 (1)</td><td></td></tr>
<tr><td>Property tax (3 045//15 × 12)</td><td>2 436 (1)</td><td>114 446</td></tr>
<tr><td>Profit for the year</td><td></td><td>17 934 (1)OF</td></tr>
</table>
</td><td>5</td></tr>
<tr><td>4(b)</td><td>
<table>
<tr><th>Suggested course of action</th><th>Impact on the business</th></tr>
<tr><td>Increase service prices</td><td>Reduce number of customers</td></tr>
<tr><td>Change electricity supplier (1)</td><td>May be time consuming (1) OR
May not be able to get a cheaper supplier (1)</td></tr>
<tr><td>Increase rent charged to Sheila (1)</td><td>Sheila may move out/lose income (1) OR
Dissatisfied tenant (1)</td></tr>
<tr><td>Reduce opening hours/hours worked by hairdressers (1)</td><td>Cannot maintain current level of income (1) OR
Damage relationship with employees/customers (1)</td></tr>
<tr><td>Reduce employee rates of pay/reduce staff numbers (1)</td><td>Employees not happy/may leave (1) OR
Quality of service reduced if fewer staff (1)</td></tr>
</table>
Or other relevant courses of action and impact
Identify 2 courses of action (1) for identifying course of action (1) for impact on the business
</td><td>4</td></tr>
</table>

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks
4(c)	**Arguments for accepting card payments** **Max 2** Meet customer needs/more convenient for customers/more options for payment/improve customer relationship **(1)** Increased sales/increased customers **(1)** Lower amount of cash held on premises/reduced risk of theft **(1)** Reduced administration costs/saves time in counting cash **(1)** Hairdressers may save time **(1)** **Arguments against accepting card payments** **Max 2** Reduction in profit because of rental fee and transaction charge **(1)** Must consider cost of purchasing cash register **(1)** Staff may need training **(1)** Customer numbers may not increase **(1)** **Accept other valid responses** **Recommendation (1)**	**5**
4(d)	**Max 3** Additional finance available **(1)** Additional skills and knowledge included in the business **(1)** Sharing of responsibilities **(1)** Risks are shared **(1)** Losses are shared **(1)** **Accept other valid responses**	**3**
4(e)	**Max 3** Amount of capital invested by each partner **(1)** If interest on capital is to be paid and at what rate **(1)** If partners salaries are to be paid and at what amount **(1)** If an upper limit placed on partners drawings **(1)** If interest on drawings is to be charged and at what rate **(1)** Rate at which interest on partners' loans will be paid **(1)** Responsibilities of each partner (1) **Accept other valid responses**	**3**

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)(i)</td><td>Money spent on purchasing, improving or extending non-current assets</td><td>1</td></tr>
<tr><td>5(a)(ii)</td><td>Money spent on day to day running a business (1)</td><td>1</td></tr>
<tr><td>5(a)(iii)</td><td>Money received from a source other than normal trading activities (1)</td><td>1</td></tr>
<tr><td>5(a)(iv)</td><td>Money received by a business from normal trading activities (1)</td><td>1</td></tr>
<tr><td>5(b)</td><td>
<table>
<tr><th>Item</th><th>capital expenditure</th><th>revenue expenditure</th><th>capital receipt</th><th>revenue receipt</th></tr>
<tr><td>Delivery charges for new office equipment</td><td>✓ (1)</td><td></td><td></td><td></td></tr>
<tr><td>Repairs to the roof of an existing building</td><td></td><td>✓ (1)</td><td></td><td></td></tr>
<tr><td>Painting of a new extension to the factory</td><td>✓ (1)</td><td></td><td></td><td></td></tr>
<tr><td>Proceeds from the sale of a motor vehicle</td><td></td><td></td><td>✓ (1)</td><td></td></tr>
</table>
</td><td>4</td></tr>
<tr><td>5(c)</td><td>
P Limited
Statement of Changes in equity (retained earnings)
for the year ended 30 June 2025
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Balance at 1 July 2024</td><td>46 220</td><td>}</td></tr>
<tr><td>Profit for the year</td><td>37 350</td><td>}(1)</td></tr>
<tr><td>Dividend paid (interim)</td><td>(36 400)</td><td></td></tr>
<tr><td>Transfer to general reserve</td><td>(8 000)</td><td>(1)</td></tr>
<tr><td>Balance at 30 June 2025</td><td>39 170</td><td>(1)OF</td></tr>
</table>
</td><td>3</td></tr>
</table>

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/

Question	Answer	Marks

5(d)

9

P Limited
Statement of Financial Position at 30 June 2025

	$ Cost	$ Provision for depreciation	$ Net Book Value	
Non-current assets				
Land and buildings		205 000	205 000	
Equipment	59 600	11 324	48 276	}
Vehicles	83 000	23 030	59 970	} (1)
	347 600	34 354	313 246	(1)OF
Current assets				
Inventory		33 000		
Trade receivables	57 040			
Less Provision for doubtful debts	2 282	54 758	(1)	
Cash		2 100	89 858	(1)OF
Total assets			403 104	
Equity				
Ordinary share capital			230 000	(1)
General reserve (16 300 + 8000)			24 300	(1)
Retained earnings			39 170	(1)OF
			293 470	
Non-current liabilities				
6% Debentures		32 000		
Bank loan		22 000	54 000	(1)
Current liabilities				
Trade payables		44 890		
Other payables		5 700		
Bank overdraft		5 044	55 634	(1)OF
Total equity and liabilities			403 104	

© Cambridge University Press & Assessment 2025

https://xtremepape.rs/