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Cambridge Assessment International Education

# Cambridge International AS & A Level

**ACCOUNTING** **9706/22**

Paper 2 Structured Questions **May/June 2020**

MARK SCHEME

Maximum Mark: 90

**Published**

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.



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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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| Question | Answer | Marks |
|---|---|---|
| 1(a) | Credit purchases<br><br>Trade payables<br><br>Payments 70 300 {(1)<br>Discounts received 940 {(1)<br>Closing balance 7 220 (1)<br>78 460<br><br>Opening balance 4 980 (1)<br>Purchases 73 480 (1)OF<br>78 460<br><br>**Accept alternative presentations** | 4 |
| 1(b) | Depreciation of furniture and equipment<br><br>$<br>Opening valuation 26 800<br>New furniture 5 200 (1)<br>32 000<br>Less closing valuation 28 300 (1)<br>Depreciation 3 700 (1) OF | 3 |
| 1(c) | Drawings<br><br>Cash account<br><br>Opening balance 820 (1)*<br>Cash sales 133 200 (1)<br>134 020<br><br>Cash banked 112 400 (1)<br>Wages of assistant 18 800 (1)<br>Drawings 2 410 (1)OF<br>Closing balance 410 *<br>134 020<br><br>***Both**<br>**Accept alternative presentations** | 5 |

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| Question | Answer | Marks |
|---|---|---|
| 1(d) | Tariq<br>Income statement for the year ended 30 September 2019<br><br>\| \| \| $ \| $ \| \|<br>\|---\|---\|---\|---\|---\|<br>\| Revenue \| \| \| 133 200 \| \|<br>\| Less \| Opening inventory \| 7 410 \| \| \|<br>\| \| Purchases [$73 480 (of) – $390 **(1)**] \| 73 090 \| \| \|<br>\| \| \| 80 500 \| \| \|<br>\| \| Closing inventory \| 8 080 \| \| \|<br>\| Cost of sales \| \| \| 72 420 \| \|<br>\| Gross profit \| \| \| 60 780 \| **(1)** \|<br>\| Discounts received \| \| \| 940 \| **(1)** \|<br>\| \| \| \| 61 720 \| \|<br>\| Rent **W1** \| \| 16 960 \| \| **(2)OF** \|<br>\| Depreciation of furniture and equipment \| \| 3 700 \| \| **(1)OF** \|<br>\| Accountant's fees \| \| 640 \| \| **(1)** \|<br>\| Loan interest \| \| 580 \| \| \|<br>\| Wages of assistant \| \| 18 800 \| \| **(1)** \|<br>\| \| \| \| 40 680 \| \|<br>\| Profit for year \| \| \| 21 040 \| **(1)OF** \|<br><br>**W1** Rent<br>Payment $14 930 + $990 **(1)** + $1 040 **(1)** = 16 960 | **9** |
| 1(e)(i) | Business entity: a business has its existence separate from its owners **(1)** only transactions that affect the business should be recorded in the accounting records **(1)**<br><br>**Max 2** | **2** |
| 1(e)(ii) | Substance over form: financial statements must give a complete and accurate picture of events **(1)** so economic impact is taken into account and legal form is disregarded **(1)**<br><br>**Max 2** | **2** |

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| Question | Answer | Marks |
|---|---|---|
| 1(f) | Advice **(1)**<br>Reducing inventory:<br>Would achieve improvement in liquidity **(1)**<br>Would reduce storage costs **(1)**<br>Would reduce chance that items become out of date and are wasted **(1)**<br>But negative impact if inventories run out and demand not met **(1)**<br>Delaying payments to suppliers:<br>Would achieve improvement in liquidity **(1)**<br>Might cause the loss of cash discounts/negative impact on profits **(1)**<br>But negative impact if credit terms not met leading to loss of suppliers/credit terms/interest charges **(1)**<br><br>**Award up to 2 marks for each course of action (overall maximum 4 marks) plus 1 mark for advice** | **5** |

| Question | Answer | Marks |
|---|---|---|
| 2(a) | Advantage (Max 1 advantage)<br><br>Provides a more realistic charge against profits **(1)** as some assets lose more value in their first years **(1)/**as the asset reduces in value so the depreciation charge reduces **(1).**<br><br>1 + 1 mark for development<br>**Accept other valid responses.**<br><br>Disadvantage ( Max 1 disadvantage)<br><br>Is more complicated to calculate **(1)** as the charge changes each year because it is based on the decreasing net book value at the beginning of each year **(1)** rather than the more straightforward equal charge per year when using the straight-line method **(1)**.<br><br>1 + 1 mark for development<br><br>**Accept other valid responses.** | **4** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Balance of provision for depreciation account at 31 December 2019<br><br>
<table>
<tr><td></td><td>Vehicle A</td><td></td><td></td><td>Vehicle B</td><td></td></tr>
<tr><td>Depreciation charge for 2018 ($36 000 × 20%)</td><td>7 200</td><td rowspan="3">(1)</td><td>($40 000 × 20%)</td><td>8 000</td><td>(1)</td></tr>
<tr><td>Depreciation charge for 2019 ($28 800 × 20%)</td><td>5 760</td><td>($32 000 × 20%)</td><td>6 400</td><td>(1)</td></tr>
<tr><td></td><td>12 960</td><td></td><td></td><td>14 400</td><td></td></tr>
</table>
Balance is $27 360 (1)OF</td><td>4</td></tr>
<tr><td>2(c)</td><td>Delivery vehicles cost account<br><br>
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2018</td><td></td><td></td><td></td><td>2020</td><td></td><td></td><td></td></tr>
<tr><td>Jan 1</td><td>Bank: delivery vehicle A</td><td>36 000</td><td>*</td><td>Feb 1</td><td>Disposal Delivery vehicle B</td><td>40 000</td><td>(1)</td></tr>
<tr><td>April 1</td><td>Bank: delivery vehicle B</td><td>40 000</td><td>*(1)</td><td>2020 Dec 31</td><td>Balance c/d</td><td>74 000</td><td></td></tr>
<tr><td>2020 Feb 1</td><td>Bank: delivery vehicle C</td><td>30 000</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Disposal</td><td>8 000</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>114 000</td><td></td><td></td><td></td><td>114 000</td><td></td></tr>
<tr><td>2021 Jan 1</td><td>Balance b/d</td><td>74 000</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
</table>
*Both</td><td>5</td></tr>
<tr><td>2(d)</td><td>Obsolescence/technological change (1)<br>Lapse of time (1)<br>Inadequacy (1)<br>Depletion (1)<br>Max 2<br>Accept other valid responses</td><td>2</td></tr>
<tr><td>3(a)</td><td>Reasons for dissolving a partnership<br><br>Business is making a loss (1)<br>Partners cannot agree (1)<br>A partner has died/retired (1)<br>The objectives of the partnership have been achieved (1)<br>Legal reasons such as insanity of partner (1)<br><br>Max 3<br>Accept other valid responses</td><td>3</td></tr>
</table>

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| Question | Answer | Marks |
|---|---|---|
| 3(b) | | 7 |

Realisation account

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Motor vehicles | 19 400 | | Discount received | 270 | | (1) |
| Furniture and equipment | 11 900 | | Capital Xu, motor vehicle | 15 100 | | (1) |
| Inventory | 7 480 | (1) | Bank, trade receivables (W1) | 9 880 | | (1) |
| Trade receivables | 11 200 | | Bank, furniture and equipment | 7 300 | | |
| Bank, dissolution expenses | 620 | (1) | Bank, inventory | 6 530 | | (1) |
| | | | Realisation loss: Xu | 5 760 | | (1)OF |
| | | | Zoe | 5 760 | | |
| | 50 600 | | | 50 600 | | |

**Alternative answer showing different treatment of trade payables**

Realisation account

| | $ | | | $ | | |
|---|---|---|---|---|---|---|
| Motor vehicles | 19 400 | | | | | |
| Furniture and equipment | 11 900 | | Capital Xu, motor vehicle | 15 100 | | (1) |
| Inventory | 7 480 | (1) | Bank, trade receivables (W1) | 9 880 | | (1) |
| Trade receivables | 11 200 | | Bank, furniture and equipment | 7 300 | | |
| Bank, dissolution expenses | 620 | (1) | Bank, inventory | 6 530 | | (1) |
| Bank: Trade payables | 5 130 | * | Trade payables | 5 400 | | *(1) |
| | | | Realisation loss: Xu | 5 760 | | (1)OF |
| | | | Zoe | 5 760 | | |
| | 55 730 | | | 55 730 | | |

**In the alternative version there is one mark for both entries relating to trade payables.**

**W1:** $(11200 - 800) \times 0.95$

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| Question | Answer | Marks |
|---|---|---|
| 3(c) | | 5 |

| | $ | |
|---|---|---|
| Capital account balance | 18 000 | **(1)** |
| Current account balance | (2 480) | |
| Loan account | 4 300 | **(1)** |
| Motor vehicle taken over | (15 100) | **(1)** |
| Loss on realisation | (5 760) | **(1)OF** |
| Amount due from Xu | (1 040) | **(1)OF** |

| Question | Answer | Marks |
|---|---|---|
| 4(a) | Managers could be involved in setting targets/budgets for their areas of responsibility **(1)** resulting in possible increase in motivation **(1)**<br>If managers are not involved in setting targets/budgets motivation could be reduced **(1)** especially if targets are seen to be unachievable/unrealistic **(1)**<br>Managers' efficiency could be improved **(1)** as a result of having clear objectives/targets **(1)**<br>However, budgetary control might prove to be restrictive **(1)** resulting in otherwise beneficial opportunities being rejected by managers**(1)**<br><br>**Any three points (1 + 1 for development)**<br><br>**Accept other valid responses.** | 6 |
| 4(b) | Contribution per unit | 3 |

| | $ | $ | |
|---|---|---|---|
| Selling price | | 69 | **(1)** |
| Less Variable costs | | | |
| Direct materials | 6.60 | | |
| Direct labour | 43.16 | | |
| Other | 2.24 | | |
| | | 52 | **(1)** |
| Contribution | | 17 | **(1)OF** |

| | | |
|---|---|---|
| 4(c) | | 3 |

| | $ | |
|---|---|---|
| Total contribution 24 500 × $17 | 416 500 | **(1)** |
| Less fixed costs | 374 000 | |
| Actual profit | 42 500 | **(1)** |
| Target profit | 50 000 | |
| | 7 500 | **(1)** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)(i)</td><td>Option A profit<br><br>Maximum capacity using overtime is 28 000 units + 20%, i.e. 33 600 units<br>Demand for Option A: 24 500 units + 40%, i.e. 34 300 units<br>Hence 33 600 will be produced (1)<br>Normal contribution becomes $17 – $3 (reduction in selling price) + 0.33 (discount on materials) = $14.33 (1)OF<br>Contribution in overtime $= \$14.33 - \left(\frac{1}{4} \times \$43.06, \text{i.e. } 10.79\right) = \$3.54$ (1)OF<br><br>
<table>
<tr><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Contribution from normal working</td><td>28 000 × $14.33 (of)</td><td>401 240</td><td>(1)OF</td></tr>
<tr><td>Contribution in overtime</td><td>5 600 (of) × $3.54</td><td>19 824</td><td></td></tr>
<tr><td></td><td></td><td>421 064</td><td>(1)OF</td></tr>
<tr><td>Less fixed costs</td><td></td><td>374 000</td><td></td></tr>
<tr><td></td><td></td><td>47 064</td><td>(1)OF</td></tr>
</table>
</td><td>6</td></tr>
<tr><td>4(d)(ii)</td><td>Option B profit<br><br>Change in contribution: $17 + 0.60 (cheaper materials), i.e. $17.60 per unit<br>Change in fixed costs per annum:<br><br>
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Current fixed costs</td><td>374 000</td><td></td></tr>
<tr><td>Increased depreciation</td><td>4 000</td><td>(1)</td></tr>
<tr><td>Interest charges (8% × $20 000)</td><td>1 600</td><td></td></tr>
<tr><td>Advertising campaign</td><td>60 000</td><td>(1)</td></tr>
<tr><td></td><td>439 600</td><td>(1)OF</td></tr>
</table>
<br>
<table>
<tr><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Contribution from normal working</td><td>28 000 × $17.60 (of)</td><td>492 800</td><td>(1)OF</td></tr>
<tr><td>Less fixed costs</td><td></td><td>439 600</td><td></td></tr>
<tr><td></td><td></td><td>53 200</td><td>(1)OF</td></tr>
</table>
</td><td>5</td></tr>
</table>

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| Question | Answer | Marks |
|---|---|---|
| 4(e) | Advice **(1)**<br><br>Justification<br><br>Reasons for choosing Option A:<br><br>Will increase profits by $4 564 (1of) on latest performance **(1)**<br>Will not involve any permanent change in fixed costs **(1)**<br>Not changing fixed costs will be beneficial if increased demand is not maintained **(1)**<br>Will ensure factory is working to full capacity making most efficient use of existing resources **(1)**<br>Will avoid applying for bank loan which will increase company's liabilities **(1)**<br>Application for bank loan for Option B may be refused **(1)**<br><br>Reasons for choosing Option B<br><br>Will increase profits by the larger amount $10 700 **(1)OF** on latest performance **(1)**<br>Will achieve target profit for factory **(1)** and exceed target by $3 200 **(1)**<br>Option A does not achieve target profit (**(1)** and misses target by $2 936 **(1)**<br>Will avoid the use of overtime working which may not suit workforce **(1)**<br><br>Will avoid the use of overtime working which may cause deterioration in quality of production **(1)**<br>Will ensure factory is working to full capacity making most efficient use of existing resources **(1)**<br><br>Advice **(1)** plus Max **(6)** for justification | **7** |

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