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Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Fundamentals of Accounting **October/November 2023**

MARK SCHEME

Maximum Mark: 90

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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

Cambridge International is publishing the mark schemes for the October/November 2023 series for most Cambridge IGCSE, Cambridge International A and 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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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.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

ANNOTATIONS

The following annotations are used in marking this paper and should be used by examiners.

Annotation	Use or meaning
✓	Correct and relevant point made in answering the question.
×	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A	An extraneous figure
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure
Highlight	Highlight
Off page Comment	Off page comment

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Abbreviations and guidance
The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. **}***

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally valid.

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Question	Answer	Marks
1(a)	**Prepare the statement of profit or loss for the year ended 31 July 2023.**	**15**

P Limited
Statement of profit or loss for the year ended 31 July 2023

		$	
Revenue		284 200	**(1)**
Cost of sales	**W1**	(114 420)	**(4)OF**
Gross profit		169 780	**(1)OF**
Distribution costs		(50 240)	**(1)**
Administrative expenses	**W2**	(67 620)	**(4)OF**
Profit from operations		51 920	**(1)OF**
Finance costs		(960)	**(1)**
Profit before taxation		50 960	**(1)OF**
Taxation		(10 700)	
Profit for the year		40 260	**(1)OF**

W1

Opening inventory 36 800 **(1)**
Purchases 122 050 – 29 610 + 25 250 = 117 690 **(1)**
Closing inventory 43 190 – 3600 + 900 – 420 = 40 070 **(1)**
Cost of sales 36 800 + 117 690 – 40 070 = 114 420 **(1)OF**

W2
66 920 – 960 **(1)** + 1820 **(1)** – 160 **(1)** = 67 620 **(1)OF**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Prepare the statement of changes in equity for the year ended 31 July 2023.

P Limited
Statement of changes in equity for the year ended 31 July 2023

<table>
<tr><td></td><td>Share capital
$</td><td>Share premium
$</td><td>Retained earnings
$</td><td>Total
$</td></tr>
<tr><td>At 1 August 2022</td><td>120 000</td><td>19 000</td><td>23 560</td><td>162 560</td></tr>
<tr><td>Bonus issue</td><td>20 000</td><td>(19 000)</td><td>(1 000)
(1)</td><td>-</td></tr>
<tr><td>Final dividend</td><td></td><td></td><td>(16 800)
(1)</td><td>(16 800)</td></tr>
<tr><td>Rights issue</td><td>35 000
(1)</td><td>10 500
(1)</td><td></td><td>45 500</td></tr>
<tr><td>Profit for the year</td><td></td><td></td><td>40 260
(1)OF</td><td>40 260</td></tr>
<tr><td>At 31 July 2023</td><td>175 000</td><td>10 500</td><td>46 020</td><td>231 520
(1) OF</td></tr>
</table>
</td><td>6</td></tr>
<tr><td>1(c)</td><td>State <u>two</u> examples of revenue reserves of a limited company.

Retained earnings (1)
General reserve (1)

Accept other valid responses.</td><td>2</td></tr>
</table>

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Question	Answer	Marks
1(d)	**Advise the directors whether or not they were correct to make a bonus issue of shares rather than make a new issue of shares. Justify your answer.** Bonus issue **Max 4 marks** • Will incur no additional costs **(1)** • No necessity to source new shareholders **(1)** • Will be received favourably by existing shareholders **(1)** • Makes use of share premium account **(1)** • No cash inflow **(1)** New issue of shares **Max 4 marks** • Will raise new finance **(1)** • May be more costly to source new shareholders **(1)** • Very low retained earnings may discourage new shareholders **(1)** • May dilute ownership **(1)** • A new issue of shares may not be fully subscribed **(1)** **Advice supported with a comment (1)** **Accept other valid responses**	**7**

Question	Answer	Marks
2(a)	**State <u>two</u> factors that cause the value of non-current assets to depreciate.** Wear and tear **(1)** Usage **(1)** Technological changes **(1)** Obsolescence **(1)** Economic factors **(1)** Depletion **(1)** **Max 2** **Accept other valid responses**	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Prepare the following accounts for the year ended 30 June 2023.

Delivery vehicles at cost

Date	Details	$	Date	Details	$
2022 1 Jul	Balance b/d	29 000	2022 1 Nov	Disposal	29 000 **(1)**
1 Nov	Disposal	16 800 **(1)**	2023 30 Jun	Balance c/d	44 000
	Bank loan	27 200 **(1)**			
		73 000			73 000
2023 1 Jul	Balance b/d	44 000 **(1)**			

Delivery vehicles provision for depreciation

Date	Details	$	Date	Details	$
2022 1 Nov	Disposal	8 000 **(1)**	2022 1 Jul	Balance b/d	6 000 **(1)**
2023 30 Jun	Balance c/d	4 800	2023 30 Jun	Statement of profit or loss	6 800 **(1)**
		12 800			12 800
			1 Jul	Balance b/d	4 800 **(1)**

</td><td>8</td></tr>
<tr><td>2(c)</td><td>

Calculate the profit or loss on disposal of the delivery vehicle sold on 1 November 2022.

29 000 – 8000 – 16 800 = $4200 **(1)** Loss **(1)**

</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(d)	**Explain why it may be more appropriate to depreciate motor vehicles using the reducing balance method rather than the straight-line method.** The reducing balance method is more appropriate because motor vehicles lose a disproportionate amount of their value in the early years **(1)** but require less repair and maintenance **(1)** so complies with the matching concept **(1)** whereas the straight line method would be unsuitable as it charges the same amount throughout the lifetime of the asset **(1)** **Max 3** **Accept other valid responses**	**3**

Question	Answer	Marks
3(a)	**Prepare the sales ledger control account for the month of July 2023, taking into account the errors discovered. Dates are <u>not</u> required.** Sales ledger control account	**9**

Details	$		Details	£	
Balance b/d	76 250	**(1)**	Sales returns (journal)	1 510	**(1)**
Sales (journal)	69 634	**(1)**	Journal / contra	420	**(1)**
Bank / Cash book	237	**(1)**	Discount allowed / Cash book	892	**(1)**
			Bank / Cash book	74 118	**(1)**
			Journal / irrecoverable debt	410	**(1)**
			Balance c/d	68 771	
	146 121			146 121	
Balance b/d	68 771	**(1)OF**			

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Prepare a schedule of the corrected sales ledger account balances.

<table>
<tr><td></td><td>Increase
$</td><td>Decrease
$</td><td>Total
$</td></tr>
<tr><td>Per original list</td><td></td><td></td><td>69 211</td></tr>
<tr><td>Error 1</td><td>300 (1)</td><td></td><td></td></tr>
<tr><td>Error 3</td><td></td><td>190 (1)</td><td></td></tr>
<tr><td>Error 4</td><td></td><td>550 (1)</td><td>(440)</td></tr>
<tr><td>Corrected balances</td><td></td><td></td><td>68 771 (1)</td></tr>
</table></td><td>4</td></tr>
<tr><td>3(c)</td><td>State <u>two</u> limitations of preparing a control account.

Only verify the arithmetical accuracy of the ledgers (1)
Does not indicate that individual account balances are correct (1)
Does not identify errors of commission / omission / principle / original entry etc. (1)

Accept other valid responses.</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
</table>

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Question	Answer	Marks
4(a)	**Complete the table to show the apportionment of the budgeted overheads for the year ended 31 August 2023.**	**6**

		Production departments		Service departments		
	Total $	Machining $	Assembly $	Stores $	Maintenance $	
Indirect wages	420 000	84 000	252 000	42 000	42 000	**(1) row**
Factory rent and rates	30 000	10 000	14 000	4 500	1 500	**(1) row**
Machine overheads	22 000	12 577	9 423	–	–	**(1) row**
Total overheads	472 000	106 577	275 423	46 500	43 500	
Apportion Stores	–	23 250	17 714	(46 500)	5 536	**(1)OF row**
Subtotal	472 000	129 827	293 137	–	49 036	
Apportion Maintenance	–	41 190	7 846	–	(49 036)	**(1)OF row**
Total overhead costs	472 000	171 017	300 983	-	-	
		(1)OF for both				

4(b)	**Calculate, to <u>two</u> decimal places, an overhead absorption rate for <u>each</u> production department, using a suitable basis.** Machining: $\frac{171017}{34\,300}$ = \$4.99 **(1)OF** per machine hour **(1)** Assembly: $\frac{300\,983}{77\,700}$ = \$3.87 **(1)OF** per labour hour **(1)**	**4**

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Question	Answer	Marks
4(c)	**Calculate the over absorption or under absorption of overheads for <u>each</u> production department.** Machining \$ / Assembly \$ Actual: 226 952 / 267 465 Absorbed: 44 120 × \$4.99: 220 159 Absorbed: 72 580 × \$3.87: 280 885 6 793 **(1)OF** / 13 420 **(1)OF** UNDER **(1)OF** / OVER **(1)OF**	**4**
4(d)	**Calculate the <u>direct cost</u> of producing <u>one</u> bicycle for the special order.** \$ Direct material: \$45.60 × 1.3: 59.28 **(1)** Direct labour - Machining: \$10 × 45 min: 7.50 **(1)** Direct labour - Assembly: \$15 × 120 min: 30.00 **(1)** Total direct cost: 96.78 **(1)OF**	**4**

Question	Answer	Marks
4(e)	**Prepare a statement to show the total selling price that Andreas should quote to the customer in order to achieve a 30% gross profit margin on the order.**	**5**

		$	
Direct cost	$96.78 × 120	11 613.60	**(1)OF**
Machining dept. overheads	$4.99 × 20 min × 120	199.60	**(1)OF**
Assembly dept overheads	$3.87 × 120 min × 120	928.80	**(1)OF**
Total cost		12 742.00	
Gross profit	X 30/70	5 460.86	**(1)**
Quoted selling price		18 202.86	**(1)**

Alternative approaches (unit basis)
Version 1

	$	
Direct cost	96.78	**(1)OF**
Machining dept. overheads	1.66	**(1)OF**
Assembly dept overheads	7.74	**(1)OF**
Total unit cost	106.18	
	× 120 units	
Total cost	12 741.60	
Gross profit	5 460.69	**(1)**
Quoted selling price	18 202.29	**(1)**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(e)</td><td>Version 2

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Direct cost</td><td>96.78</td><td>(1)OF</td></tr>
<tr><td>Machining dept. overheads</td><td>1.663</td><td>(1)OF</td></tr>
<tr><td>Assembly dept overheads</td><td>7.74</td><td>(1)OF</td></tr>
<tr><td>Total unit cost</td><td>106.183</td><td></td></tr>
<tr><td></td><td>x 120 units</td><td></td></tr>
<tr><td>Total cost</td><td>12 741.96</td><td></td></tr>
<tr><td>Gross profit</td><td>5 460.84</td><td>(1)</td></tr>
<tr><td>Quoted selling price</td><td>18 202.84</td><td>(1)</td></tr>
</table></td><td></td></tr>
<tr><td>4(f)</td><td>Advise Andreas whether he should accept the terms offered by the customer. Justify your answer.

Accept
• New customer may become a major customer over time (1)
• Terms offered will still produce a profit for the business (1)
• Only accept the terms if sufficient credit worthiness checks are completed (1)

Reject
• Two months’ credit terms may compound the cash flow difficulties (1)
• Will existing customers try to negotiate better credit terms (1)
• Are they sure of the continuity of the orders (1)
• The work will not result in the required 30% gross profit margin (1)

Max 6 for comments.

Advice supported with a comment (1)

Accept other valid responses</td><td>7</td></tr>
</table>

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