Cambridge International AS & A Level

ACCOUNTING **9706/33**

Paper 3 Financial Accounting **May/June 2024**

MARK SCHEME

Maximum Mark: 75

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 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **15** printed pages.

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.

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.

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
N0	No working shown
AE	Attempts evaluation
R1	Required item 1
R2	Required item 2
OF	Own figure
EVAL	Evaluation
NAQ	Not answered question
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
Highlight	Highlight
Off page Comment	Off page comment

Question	Answer	Marks
1(a)	**Identify the costs that may be included in the inventory cost of work in progress.** Costs of the purchases of direct materials **(1)** Delivery cost **(1)** Direct labour costs **(1)** Variable production overheads **(1)** Fixed production overheads **(1)** **Max 4** **Accept other valid responses.**	**4**

Question	Answer	Marks
1(b)	**Prepare the manufacturing account for the year ended 31 December 2023.**	8

Manufacturing account for the year ended 31 December 2023

	$	$	
Direct materials opening inventory	16 000		
Purchases	174 300		
Direct materials closing inventory	(21 400)		
Cost of direct materials consumed		168 900	**(1)**
Direct labour		158 000	
Prime cost		326 900	**(1)OF**
Rent and rates ($105 000+$15 000) × 70%		84 000	**(1)**
Depreciation of machinery		51 600	**(1)**
Other indirect production overheads		77 500	
		540 000	
Work in progress opening inventory		47 000	**}**
Work in progress closing inventory		(52 000)	**}(1)**
Cost of goods manufactured		535 000	
Factory profit **W1**		214 000	**(2)OF**
Transfer price		749 000	**(1)OF**

W1
$25 600/($89 600 – $25 600)=40% **(1)**
40% × $535 000 = $214 000 **(1)OF**

Question	Answer	Marks
1(c)	**Prepare the statement of profit or loss for the year ended 31 December 2023.**	8

Statement of profit or loss for the year ended 31 December 2023

			$	
Sales			933 000	
Finished goods opening inventory	89 600			
Transfer price	749 000	**(1)OF**		
Finished goods closing inventory	(77 000)			
Cost of sales			761 600	**(1)OF**
Gross profit			171 400	**(1)OF**
Factory profit	214 000	**(1)OF**		
Decrease in unrealised profit **W1**	3 600	**(1)**	217 600	
			389 000	
Rent and rates	36 000	**(1)**		
Depreciation - office equipment	14 700	**(1)**		
Other administrative costs	205 000			
			255 700	
Profit for the year			133 300	**(1)OF**

W1
$25 600 – ($77 000 × 40/140) = $3 600 **(1)**

Question	Answer	Marks
1(d)	**Advise the directors whether or not they should incur expenditure on researching a new material. Justify your answer.** **For.** Max **(2)** New material may be of better quality **(1)**. This will reduce cost of wastage **(1)**. Can charge premium price for improved quality so that sales / revenue / profit can increase **(1)** Ensures profitability is sustained in the long run / remains competitive **(1)** **Against.** Max **(2)** The research may fail **(1)** Expenditure on research is written off in the year it is incurred **(1)** and this will greatly reduce the profit of that year **(1)** Increased expenditure may increase prices causing loss of customers **(1)** May need to be financed by loan and the loan interest will reduce profit **(1)** **Decision supported with a comment (1)** **Accept other valid responses.**	5

Question	Answer	Marks
2(a)	**Explain the stewardship role of the directors in a public limited company.** In a public limited company, the ownership and control are separated **(1)** so the directors are accountable/responsible to the shareholders **(1)**. Directors are entrusted by the shareholders **(1)** to manage the assets / resources / the daily operations of the company **(1)**. The directors should act / decide in the best interests of the shareholders **(1)** so they must exercise their professionalism and integrity and avoid conflict of interest **(1)**. **Max 4 (2 marks for basic points + 2 marks for development)** **Accept other valid responses.**	4

Question	Answer	Marks
2(b)	**Calculate the working capital cycle (in days). Round up the components to the nearest day.** Sales revenue \$696 000 × 1.25 = \$870 000 **(1)** Cost of sales \$870 000 × (100/145) = \$600 000 **(1)OF** Purchases \$600 000 + \$88 000 – \$79 000 = \$609 000 **(1)OF** Trade receivables turnover: (\$142 000/\$870 000) × 365 = 60 days **(1)OF** Inventory turnover: average turnover (\$88 000 + \$79 000)/2=\$83 500 **(1)** (\$83 500/\$600 000) × 365 = 51 days **(1)OF** Trade payables turnover (\$125 000/\$609 000) × 365 = 75 days **(1)OF** Working capital cycle 60 days + 51 days – 75 days = 36 days **(1)OF**	**8**
2(c)(i)	**Calculate, to <u>two</u> decimal places, the following ratios:** **(i) price/earnings** Earnings per share \$140 000/500 000 = \$0.28 **(1)** Price earnings ratio \$2.56/\$0.28 = 9.14 **(1)OF**	**2**
2(c)(ii)	**(ii) dividend yield** Annual ordinary dividend per share (\$40 000/500 000)**(1)** + \$0.14 **(1)** = \$0.22 Dividend yield \$0.22/\$2.56 × 100% = 8.59% **(1)OF**	**3**
2(c)(iii)	**(iii) interest cover** Debentures interest \$180 000 × 6% = \$10 800 **(1)** Profit from operations \$140 000 + \$10 800 = \$150 800 **(1)** Interest cover \$150 800/10 800=13.96 times **(1)OF**	**3**

Question	Answer	Marks
2(d)	**Explain why X plc has performed better than M plc in managing the working capital cycle.** X plc is more efficient than M plc in converting net working capital (current assets minus current liabilities) into cash **(1)**. X plc's credit customers may take a shorter time to settle their trade debts **(1)**. X plc may take a shorter time to sell its goods **(1)**. X plc may take a longer time to pay its credit suppliers **(1)**. They may be in different industries **(1)** **Accept other valid responses.**	**5**

3(a) **Prepare the cost section and the accumulated depreciation section of G plc's schedule of non-current assets at 31 December 2023. The total column is not required.** **20**

Schedule of non-current assets at 31 December 2023 (extract)

	Land and buildings $		Plant and machinery $		Motor vehicles $	
Cost						
At 1 January 2023	550 000		280 000		135 000	
Additions **W1**			35 000	**(1)**	46 000	**(4)**
Revaluation	59 000	**(1)**				
Disposal **W2**					(60 000)	**(1)**
Impairment loss **W3**			(14 200)	**(1)**		
At 31 December 2023	609 000		300 800		121 000	
Accumulated depreciation						
At 1 January 2023	144 000		132 100		81 000	
Charge for the year **W4 W5 W6**	10 800	**(3)**	27 435	**(2)**	24 200	**(2)**
Disposal **W7**					(36 000)	**(1)**
Impairment loss **W8**			(9 261)	**(4)**		
At 31 December 2023	154 800		150 274		69 200	

W1

Cost		60 000	**(1)OF**
Depreciation 60 000 × 20% **(1)** × 3 **(1)**		(36 000)	
		24 000	
Loss on disposal	(3 000)		
Cheque paid	25 000	22 000	
Purchase cost of vehicle		46 000	**(1)OF**

W2

$135 000 × 100/225 = $60 000 **(1)**

Question	Answer	Marks
3(a)	**W3** $24 000 – $9800 = $14 200 **(1)** **W4** ($360 000 – $144 000) **(1)** / 20 years **(1)** = $10 800 **(1)OF** **W5** ($280 000 + $35 000 – $132 100) **(1)** × 15%=$27 435 **(1)OF** **W6** Cost of vehicle A $135 000 × 125/225 = $75 000 ($75 000 + $46 000) **(1)** × 20%=$24 200 **(1)OF** **W7** $60 000 × 60%=$36 000 **(1)** **W8** Carrying value at 31 December 2023 <table><tr><td></td><td>$</td><td></td></tr><tr><td>Cost in 2021</td><td>24 000</td><td></td></tr><tr><td>Depreciation 2021</td><td>3 600</td><td>**(1)**</td></tr><tr><td></td><td>20 400</td><td></td></tr><tr><td>Depreciation 2022</td><td>3 060</td><td>**(1)**</td></tr><tr><td></td><td>17 340</td><td></td></tr><tr><td>Depreciation 2023</td><td>2 601</td><td>**(1)**</td></tr><tr><td>Carrying value</td><td>14 739</td><td></td></tr></table> Accumulated depreciation at 31 December 2023 ($3600 + $3060 + $2601) = $9261 **(1)OF**	

Question	Answer	Marks
3(b)	**Advise the directors which option they should choose. Justify your answer.** **Option 1 Max 2** Depreciation expense is higher. **(1)** May have a longer useful life. **(1)** Maintenance cost may be lower. **(1)** New machine is more efficient. **(1)** Less chance of breaking down and losing sales. **(1)** Maximum capacity may be sustained for more years. **(1)** **Option 2 Max 2** Depreciation expense is lower. **(1)** May have a shorter useful life. **(1)** Maintenance cost may be higher. **(1)** Used machines are less efficient. **(1)** More chance of breaking down and losing sales. **(1)** Maximum capacity may not be sustained. **(1)** **Decision supported with a comment (1)** **Accept other valid responses.**	5