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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/21**

Paper 2 Structured Questions **October/November 2025**

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 2025 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 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.

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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.

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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
	Correct and relevant point made in answering the question.
	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repetition
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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>

Calculate the revised profit for the year ended 31 December 2024.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Draft profit</td><td>104 800</td><td></td></tr>
<tr><td>Less overstated inventory</td><td>(4 500)</td><td>(1)</td></tr>
<tr><td>Add prepaid advertising W1</td><td>18 000</td><td>(1)</td></tr>
<tr><td>Less depreciation of furniture and equipment W2</td><td>(26 000)</td><td>(2) OF</td></tr>
<tr><td>Less debenture interest W3</td><td>(4 000)</td><td>(1)</td></tr>
<tr><td>Less taxation on profits</td><td>(14 800)</td><td>(1)</td></tr>
<tr><td>Correct profit for the year</td><td>73 500</td><td>(1) OF</td></tr>
</table>

W1: prepaid advertising 5/9 × $32 400 = $18 000
W2: depreciation
Furniture and equipment carrying value before depreciation:
$\frac{\$442\,000}{85} \times 100 = \$520\,000$ **(1)**
Correction of depreciation charge $520 000 × 5% = $26 000 **(1) OF**
W3 Debenture interest: 2/3 × 8% × $150 000 × 1/2 = $4 000 **(1)**

</td><td>7</td></tr>
</table>

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Question	Answer	Marks
1(b)	**Complete the statement of changes in equity for the year ended 31 December 2024.**	7

T plc
Statement of changes in equity for the year ended 31 December 2024

	Share capital $	Share premium $	Revaluation reserve $	Retained earnings $	Total $
At 1 January 2024 **W1**	540 000 **(1)**	120 000	80 000	330 800	1 070 800
Bonus issue	360 000**}**	(120 000)**} (1)**		(240 000) **(1)**	–
Dividend (paid) **W2**				(54 000) **(1)**	(54 000)
Profit (for the year)				73 500 **(1) OF**	73 500
Property revalued/ revaluation			(80 000) **}**	(25 400) **} (1)**	(105 400)
At 31 December 2024	900 000	–	–	84 900	984 900 **(1)OF Col.**

W1 Opening share capital: 900 000 × 3/5 = 540 000 **(1)**
W2 Dividend paid: 900 000 × 2 = 1 800 000 shares × $0.03 = $54 000 **(1)**

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Question	Answer	Marks
1(c)	**Prepare the statement of financial position at 31 December 2024.**	**9**

T plc
Statement of financial position at 31 December 2024

Assets	$	
Non-current assets		
Property	680 000	
Furniture and equipment at carrying value	416 000	**(1)**
	1 096 000	**(1)OF**
Current assets		
Inventory	52 800	**(1)**
Trade and other receivables	51 400	**(1)**
	104 200	
Total assets	1 200 200	**}***
Equity		
Share capital	900 000	
Retained earnings	84 900	
Total equity	984 900	**(1) OF**
Current liabilities		
Debentures	150 000	**(1)**
Trade and other payables	32 700	**(1)**
Taxation	14 800	**(1)**
Bank overdraft	17 800	
Total liabilities	215 300	
Total equity and liabilities	1 200 200	**(1)}***

(1)}* both totals should be the same

Question	Answer	Marks
1(d)	**Advise the directors which option they should choose. Justify your choice by considering the advantages and disadvantages of <u>both</u> options.** **Option A (max 4)** **For** Will be a permanent source of finance/no repayment **(1)** Will not affect profits **(1)** Dividend payments **are discretionary/variable (1)** Net assets are increased **(1)** **Against** Will the issue be successful/fully subscribed **(1)** Will affect control of the company/voting rights **(1)** Shareholders may expect dividends **(1)** Cost and time involved in issuing prospectus/advertising etc. **(1)** **Option B (max 4)** **For** No impact on control of company as no voting rights/decision making **(1)** No impact on profit distribution as no change in control **(1)** Temporary source of finance/repayable **(1)** Have until 2030 to repay/can budget/plan for repayment **(1)** **Against** They have to finance the redemption of the existing debenture/already have a debenture **(1)** Debenture interest will reduce profits **(1)** Debenture interest will **have to be paid** each year/finance costs increase **(1)** Liabilities/gearing increase **(1)** Loan/need to repay **(1)** May require security **(1)** It may be difficult to obtain another debenture (1) **Accept other valid responses** **Max 6 for comments on both options** **Decision supported by a comment (1)**	**7**
2(a)	**Explain <u>two</u> benefits of maintaining control accounts.** Provide an arithmetical check on the accuracy of the purchases and sales ledgers **(1)**, enabling any errors to be discovered quickly **(1)**. Assists in the preparation of trial balances and financial statements **(1)**, as totals of trade payables and trade receivables can be found quickly **(1)**. May help deter fraudulent activity **(1)** as they provide independent verification/division of duties **(1)**. **Max 2 benefits x 2 marks (1 mark for identifying + 1 mark for development)** **Accept other valid responses**	**4**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Prepare the purchases ledger control account for January 2025.

Purchases ledger control account

<table>
<tr><th>Details</th><th>$</th><th></th><th>Details</th><th>$</th><th></th></tr>
<tr><td>Bank</td><td>21 470</td><td>(1)</td><td>Balance b/d</td><td>23 420</td><td></td></tr>
<tr><td>Discounts received</td><td>283</td><td></td><td>Bank</td><td>45</td><td>(1)</td></tr>
<tr><td>Contra (with sales ledger) /setoff</td><td>236</td><td>(1)</td><td>Interest/ interest charged / expenses /interest paid</td><td>33</td><td></td></tr>
<tr><td>Purchases returns/returns out</td><td>280</td><td>(1)</td><td>(credit) Purchases</td><td>22 711</td><td>(1)</td></tr>
<tr><td>Balance c/d</td><td>23 940</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>46 209</td><td></td><td></td><td>46 209</td><td></td></tr>
<tr><td></td><td></td><td></td><td>Balance b/d</td><td>23 940</td><td>(1) OF</td></tr>
</table></td><td>6</td></tr>
<tr><td>2(c)(i)</td><td>Calculate an amended figure for <u>each</u> of the following:

Sales ledger total of balances

<table>
<tr><th></th><th>$</th><th></th></tr>
<tr><td>Original total</td><td>17 180</td><td></td></tr>
<tr><td>Credit note error</td><td>(330)</td><td>(1)</td></tr>
<tr><td>Corrected total of balances</td><td>16 850</td><td>(1)</td></tr>
</table></td><td>2</td></tr>
<tr><td>2(c)(ii)</td><td>Calculate an amended figure for <u>each</u> of the following:

Sales ledger control account balance

<table>
<tr><th></th><th>$</th><th></th></tr>
<tr><td>Balance</td><td>16 940</td><td>(1)</td></tr>
<tr><td>Discounts allowed</td><td>(90)</td><td>(1)</td></tr>
<tr><td>Corrected balance</td><td>16 850</td><td>(1)</td></tr>
</table></td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Calculate the opening inventory at <u>1 January 2023</u>.

Cost of sales = 65% × $560 000 = $364 000 (1)
Cost of sales $364 000 – (purchases $370 000 – closing inventory $38 000, i.e. $332 000 (1)) = $32 000 (1)</td><td>3</td></tr>
<tr><td>3(b)</td><td>Calculate the revenue for the year ended <u>31 December 2024.</u>

Revenue = Cost of sales $345 000(1) × 100/60 = $575 000 (1)</td><td>2</td></tr>
<tr><td>3(c)</td><td>Calculate the closing inventory at <u>31 December 2024</u>.

Closing inventory 2024 = (opening inventory $38 000 + purchases $343 000) – cost of sales $345 000 = $36 000 (1)</td><td>1</td></tr>
<tr><td>3(d)</td><td>Calculate the inventory turnover <u>(days)</u> for each of the years ended 31 December 2023 and 2024.

<table><tr><td>Year ended 31 December 2023</td><td>Average inventory = ($38 000 + $32 000)/2 (1) OR $35 000(1)

$\frac{\$35\,000 \times 365}{364\,000}$ (1) = 36 days (1)</td></tr><tr><td>Year ended 31 December 2024</td><td>Average inventory = ($36 000 + $38 000)/2 (1) OR $37 000(1)

$\frac{\$37\,000 \times 365}{\$345\,000}$ = 40 days (1)</td></tr></table></td><td>5</td></tr>
<tr><td>3(e)</td><td>Identify <u>two</u> possible drawbacks which could result from this suggestion.

Risk of ‘stock-outs’/can’t meet demand(1)
Loss of trade discount from supplier (because of smaller orders) (1)
Increased delivery costs/administrative costs (1)
Suppliers may not deliver on time/suppliers may strike(1)

Max 2
Accept other valid responses</td><td>2</td></tr>
<tr><td>3(f)</td><td>Identify <u>two</u> ways in which the inventory turnover (days) ratio could be improved <u>other than</u> by reducing inventory levels.

Changing product range to items more in demand (1)
Reducing selling prices/offer discounts (1)
Advertise/promotion to attract more sales (1)

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Calculate, to <u>two</u> decimal places, the overheads to be absorbed by <u>one unit</u> of <u>each</u> product using the direct labour hour method.

Total direct labour hours = 20 000 + 23 800 = 43 800 hours (1)

Labour hour overhead absorption rate = $\frac{\$67\,890}{43\,800}$ = \$1.55 per hour (1)

Wye: 2.5 × \$1.55 = \$3.88 per unit (1)
Zed: 1.7 × \$1.55 = \$2.64 per unit (1)</td><td>4</td></tr>
<tr><td>4(b)</td><td>Calculate the <u>total</u> amount of overheads absorbed by each product if budgets are met.

Overheads absorbed by:
Wye: 8 000 × \$3.88 = \$31 040 (1) OF
Zed: 14 000 × \$2.64 = \$36 960 (1) OF

Alternative method:

Wye: $\frac{20\,000}{43\,800}$ × \$67 890 = \$31 000 (1) OF

Zed: $\frac{23\,800}{43\,800}$ × \$67 890 = \$36 890 (1) OF</td><td>2</td></tr>
<tr><td>4(c)</td><td>State <u>two</u> reasons why overheads may be under absorbed.

Actual activity/production level/units produced is less than budgeted activity (1)
Actual overheads are greater than budgeted overheads/indirect costs have increased (1)</td><td>2</td></tr>
<tr><td>4(d)</td><td>Calculate the <u>total</u> selling price for the order.

<table>
<tr><td></td><td>\$</td><td></td></tr>
<tr><td>Materials: 1 200 × \$7</td><td>8 400</td><td rowspan="2">(1)</td></tr>
<tr><td>Labour 1 200 × 1.7 × \$11</td><td>22 440</td></tr>
<tr><td>Overheads: 1 200 × \$2.64</td><td>3 168</td><td>(1) OF</td></tr>
<tr><td>Total cost</td><td>34008</td><td>(1) OF</td></tr>
<tr><td>Profit</td><td>17 004</td><td>(1) OF</td></tr>
<tr><td>Selling price</td><td>51 012</td><td>(1) OF</td></tr>
</table></td><td>5</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(e)</td><td>Calculate the current profit per month.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Revenue: 14 000 × $108</td><td>1 512 000</td><td>(1)</td></tr>
<tr><td>Direct materials: 14 000 × $38.75</td><td>(542 500)</td><td>(1)</td></tr>
<tr><td>Direct labour: 14 000 × $18</td><td>(252 000)</td><td>(1)</td></tr>
<tr><td>Fixed costs</td><td>(136 000)</td><td></td></tr>
<tr><td>Profit per month</td><td>581 500</td><td>(1)</td></tr>
</table>

Alternative method:

Contribution per unit: $108 – $56.75 (1) = $51.25 (1)
Total contribution = 14 000 × $51.25 = $717 500 (1)
Profit per month = $717 500 – $136 000 = $581 500 (1)</td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(f)</td><td>Prepare a marginal costing statement for <u>one month</u> if the directors use the overseas supplier.
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Revenue/sales: 18 000 × $108</td><td>1 944 000</td><td>(1)</td></tr>
<tr><td>Direct materials: 18 000 × $50</td><td>(900 000)</td><td>(1)</td></tr>
<tr><td>Direct labour: 18 000 × $18</td><td>(324000)</td><td>(1)</td></tr>
<tr><td>Contribution: 18 000 × $40</td><td>720 000</td><td>(1) OF</td></tr>
<tr><td>Fixed costs ($136 000 – $17 200)</td><td>(118 800)</td><td>(1)</td></tr>
<tr><td>Profit (per month)</td><td>601 200</td><td>(1) OF</td></tr>
</table>
Alternate answer:
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Selling price</td><td>108</td><td>(1)</td></tr>
<tr><td>Direct materials</td><td>(50)</td><td>(1)</td></tr>
<tr><td>Direct labour</td><td>(18)</td><td>(1)</td></tr>
<tr><td>Contribution per unit</td><td>40</td><td></td></tr>
<tr><td>(total) contribution</td><td>7200</td><td>(1)OF</td></tr>
<tr><td>Fixed costs</td><td>(118 800)</td><td>(1)</td></tr>
<tr><td>Profit (per month)</td><td>601 200</td><td>(1)OF</td></tr>
</table></td><td>6</td></tr>
</table>

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Question	Answer	Marks
4(g)	**Advise the directors whether or not they should purchase the direct materials from the overseas supplier. Justify your answer by discussing <u>both</u> financial <u>and</u> non-financial factors.** **For (max 4)** Larger profit **(1)OF** Increased production ensuring more of workforce is retained/less risk of redundancy payments **(1)** Machinery will be fully used avoiding deterioration due to idleness **(1)** It reduces transport costs so reduced fixed costs **(1)** It increases capacity to meet demand **(1)** **Against (max 4)** Can all extra production be sold? **(1)** Will there be extra storage costs as only one delivery per month **(1)** Reliability of supply/ time to deliver **(1)** Quality of supply **(1)** Exchange/rate considerations **(1)** Tariff/import tax considerations **(1)** Contribution per unit less **(1)OF** Are forecasts accurate **(1)** **Accept other valid responses** **Decision supported with a comment (1)**	**7**

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