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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Fundamentals of Accounting **May/June 2026**

MARK SCHEME

Maximum Mark: 90

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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Social Sciences-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 <u>total</u> revenue of the business for the year ended 31 December 2025.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Closing balance credit customers</td><td>8 320</td><td>(1)</td></tr>
<tr><td>Less opening balance credit customers</td><td>(4 940)</td><td>(1)</td></tr>
<tr><td></td><td>3 380</td><td></td></tr>
<tr><td>Receipts</td><td>47 580</td><td>(1)</td></tr>
<tr><td>Discounts allowed W1</td><td>305</td><td>(1)</td></tr>
<tr><td>Irrecoverable debt written off</td><td>145</td><td>(1)</td></tr>
<tr><td>Cash receipts</td><td>14 800</td><td>(1)</td></tr>
<tr><td>Total revenue</td><td>66 210</td><td>(1) OF</td></tr>
</table>

Refer to workings if incorrect final answer and ignore labels.

W1 Discounts allowed: $47 580 × ¼ = $11 895 represents 97.5% of settlement; discount = 2.5/97.5 × $11 895 = $305 **(1)**

Alternative approach

<table>
<tr><td>Balance b/d
Sales</td><td>4 940 (1)
51 410

<u>56 350</u></td><td>Bank
Discounts allowed
Irrecoverable debt
Balance c/d</td><td>47 580 (1)
305 (1)
145 (1)
<u>8 320</u> (1)
<u>56 350</u></td></tr>
</table>

51 410 **(OF)** + 14 800 **(1)** = 66 210 **(1)OF**

</td><td>7</td></tr>
<tr><td>1(b)</td><td>

Calculate the amount of cash stolen.

<table>
<tr><td></td><td>$</td><td>$</td><td></td></tr>
<tr><td>Total receipts (11800+80)</td><td></td><td>11 880</td><td></td></tr>
<tr><td>Total payments (5800+1050+4320)</td><td></td><td>(11 170)</td><td></td></tr>
<tr><td></td><td></td><td>710</td><td>(1)*</td></tr>
<tr><td>Increase in cash balance</td><td></td><td>(350)</td><td>(1)</td></tr>
<tr><td>Stolen cash</td><td></td><td>360</td><td>(1)</td></tr>
</table>

</td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>Calculate the profit or loss made on the disposal of motor vehicle A.

Carrying value of vehicle at time of disposal: $32 000 less depreciation ((2 × 20% × $32 000) + (20% × 32 000 × 9/12)) = $14 400 (1)
Disposal: $14 400 – $16 300 = $1 900 (1) profit (1)

Alternative approach

<table>
<tr><td>Cost
Statement of profit or loss (1)</td><td>32 000}
1 900 (1)

33 900</td><td>Depreciation
Bank</td><td>17 600} (1)
16 300

33 900</td></tr>
</table>
</td><td>3</td></tr>
</table>

Question	Answer	Marks
1(d)	**Prepare the statement of profit or loss for the year ended 31 December 2025.**	**12**

Airport Transfers
Statement of profit or loss for the year ended 31 December 2025

	$	$	
Revenue **from 1(a)**	66 210		**(1) OF**
Irrecoverable debt recovered	80		**(1)**
Profit/gain on disposal of motor vehicle **from 1(c)**	1 900		**(1) OF**
		68 190	
Less expenses			
Irrecoverable debt (written off)	145		**(1)**
Discounts allowed	305		**(1)**
Wages of office assistant	5 800		
Depreciation of equipment	380		**(1)**
Depreciation of motor vehicles **W1**	13 900		**(1)**
Uninsured loss of cash/stolen cash **from 1(b)**	360		**(1) OF**
General expenses **W2**	12 370		**(1)**
Rent **W3**	5 690		**(1)**
Wages of drivers **W4**	20 010		**(1)**
		58 960	
Profit for the year		9 230	**(1) OF**

W1 Depreciation of vehicles: Vehicle A, $4 800 Vehicle B, 20% × $36 000 = $7 200; Vehicle C, 20% × ¼ × $38 000 = $1 900, i.e. $13 900

W2 General expenses: $11 320 + $1 050 = 12 370

W3 Rent: $6 200 – $510 = $5 690

W4 Wages of drivers: $18 860 + closing owing $1 150 = $20 010

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Question	Answer	Marks
1(e)	**Advise Zahir whether or not he should introduce a computerised system of accounting. Justify your answer by considering the advantages and disadvantages of this proposal.** **Advantages (max 2)** May reduce late payments if reminders are issued using the credit control system **(1)** May reduce likelihood of irrecoverable debts **(1)** Can track customers and improve credit control **(1)** Improved liquidity and profits **(1)** Speed/efficiency/time saving of processing information **(1)** Automatic provision of reports or financial statements **(1)** Potential for additional useful features: payroll/inventory control **(1)** Accuracy/less errors of records **(1)** Space can be saved/less paper used/large amount of data stored **(1)** Production of business documents e.g. invoices and statements of accounts **(1)** Auditing and fraud prevention **(1)** Records/data are more secure (using passwords/back-ups) **(1)** (Balances are) up to date **(1)** **Disadvantages (max 2)** No guarantee that system will improve situation/reminders could be ignored **(1)** Cost of capital equipment/setting up/capital expenditure **(1)** Cost of software package/updating/maintenance **(1)** Lack of experience/training required **(1)** Data security risks/hacking/cyber-attacks/virus **(1)** Systems crashing/loss of data **(1)** Employee resistance **(1)** **Decision supported with a comment (1)**	**5**
2(a)(i)	**Calculate the following for the year ended 31 December 2024.** **cost of sales** 60% × $240 000 = $144 000 **(1)**	**1**

Question	Answer	Marks
2(a)(ii)	**purchases** Cost of sales $144 000 **from 2(a)(i) (1) OF** + closing inventory $19 600 – opening inventory $16 400 = $147 200 **(1) OF**	**2**
2(b)	**Calculate the trade payables turnover (days) for the year ended 31 December 2024, stating the formula used.** formula: $\frac{\text{trade payables}}{\text{card purchases}} \times 365$ **(1)** calculation: $\frac{\$14\,400}{\$147\,200}$ **OF** $\times 365 = 36$ days **(1)OF**	**2**

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

Prepare the <u>trading section</u> of the statement of profit or loss for the year ended 31 December 2025.

Naila
Statement of profit and loss for the year ended 31 December 2024 (trading section)

<table>
<tr><td></td><td>$</td><td><b>$</td><td></td></tr>
<tr><td>Revenue</td><td></td><td>288 000</td><td>(1)</td></tr>
<tr><td>Cost of sales</td><td></td><td></td><td></td></tr>
<tr><td>Opening inventory</td><td>19 600</td><td></td><td></td></tr>
<tr><td>Purchases</td><td>189 600 (1)</td><td></td><td></td></tr>
<tr><td></td><td>209 200</td><td></td><td></td></tr>
<tr><td>Closing inventory W1</td><td>(22 000) (1)</td><td></td><td></td></tr>
<tr><td></td><td></td><td>187 200</td><td>(1) OF</td></tr>
<tr><td>Gross profit</td><td></td><td>100 800</td><td>(1) OF</td></tr>
</table>

W1 Closing inventory
Average inventory = $187 200/9 = $20 800
Closing inventory = $41 600 – $19 600 = $22 000

</td><td>5</td></tr>
<tr><td>2(d)</td><td>

Advise Naila whether or not she should go ahead with her proposal. Justify your answer by considering the advantages <u>and</u> disadvantages of the proposal.

Advantages **(Max 3)**
Will increase rate of inventory turnover **(1)**
Reduce storage costs **(1)**
Less chance of wastage/spoilage **(1)**
Goods are sold faster so will improve liquidity/cash flow **(1)**
Attract new customers **(1)**

Disadvantages (**Max 3**)
Possible loss of customers for the slow-selling lines **(1)**
Loss of these customers could reduce sales on other lines **(1)**
Decrease in profits resulting from loss of sales **(1)**

Decision supported with a comment **(1)**

Accept other valid responses

</td><td>5</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Calculate the revised profit for the year ended 31 December 2025.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Draft profit for the year</td><td>58 600</td><td></td></tr>
<tr><td>Add correction of allowance for irrecoverable debts
May be shown as 300 + 100</td><td>400</td><td>(1)</td></tr>
<tr><td>Add depreciation W1</td><td>10 000</td><td>(1)</td></tr>
<tr><td>Less tax on profit for the year</td><td>(11 700)</td><td>(1)</td></tr>
<tr><td>Revised profit for the year</td><td>57 300</td><td>(1)</td></tr>
</table>

W1 Plant and equipment carrying amount before incorrect depreciation charge:
$160 000 × 5/4 = $200 000; correct depreciation charge is 15% × $200 000 = $30 000;
correction is $10 000</td><td>4</td></tr>
<tr><td>3(b)</td><td>Calculate the revised balance of retained earnings for the year ended 31 December 2025.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Retained earnings at 1 January 2025</td><td>157 200</td><td></td></tr>
<tr><td>Less bonus issue W1</td><td>(125 000)</td><td>(1)</td></tr>
<tr><td>Add revised profit for the year from 3a)</td><td>57 300</td><td>(1) OF</td></tr>
<tr><td>Retained earnings at 31 December 2025</td><td>89 500</td><td>(1) OF</td></tr>
</table>

W1 Bonus issue:

1 800 000 × 2/3 shares at $0.25 each = $300 000
Transfer from retained earnings = $300 000 – share premium 175 000 = $125 000

Alternative approach
<table>
<tr><td>Bonus issue

Balance c/d</td><td>125 000 (1)

<u>89 500 (1)OF</u>
<u>214 500</u></td><td>Balance b/d
Profit for the year</td><td>157 200
57 300 (1) OF

<u>214 500</u></td></tr>
</table></td><td>3</td></tr>
</table>

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Question	Answer			Marks
3(c)	**Prepare the statement of financial position at 31 December 2025.**			**8**
	J Limited Statement of financial position at 31 December 2025			
		$		
	Assets			
	Non-current assets			
	Property at valuation	736 000		
	Plant and equipment at carrying value	170 000	**(1)**	
		906 000		
	Current assets			
	Inventory	51 800		
	Trade and other receivables	53 800	**(1)**	
	Cash and cash equivalents	28 700		
		134 300		
	Total assets	1 040 300	**(1) OF**	
	Equity and liabilities			
	Equity			
	Share capital	750 000	**(1)**	
	Revaluation reserve	65 000		
	Retained earnings **from 3(b)**	89 500	**(1) OF**	
	Total equity	904 500		
	Current liabilities			
	(8%) Debentures	90 000	**(1)**	
	Trade and other payables	34 100		
	Tax/taxation (payable)	11 700	**(1)**	
	Total liabilities	135 800		
	Total equity and liabilities	1 040 300	**(1) OF**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Complete the table to show the apportionment of overheads and the reapportionment of service department overheads.
<table>
<tr><td></td><td></td><td colspan="2">Production departments</td><td colspan="2">Service departments</td><td></td></tr>
<tr><td></td><td>Total</td><td>Baking</td><td>Packaging</td><td>Stores</td><td>Canteen</td><td></td></tr>
<tr><td></td><td>$</td><td>$</td><td>$</td><td>$</td><td>$</td><td></td></tr>
<tr><td>Overheads allocated</td><td>34 500</td><td>17 300</td><td>8 200</td><td>3 900</td><td>5 100</td><td></td></tr>
<tr><td>Depreciation of machinery</td><td>18 700</td><td>11 000</td><td>4 400</td><td>1 100</td><td>2 200</td><td>(1) row</td></tr>
<tr><td>Power</td><td>4 800</td><td>2 880</td><td>768</td><td>192</td><td>960</td><td>(1) row</td></tr>
<tr><td>Rent</td><td>11 000</td><td>5 940</td><td>3 080</td><td>880</td><td>1 100</td><td>(1) row</td></tr>
<tr><td>Total</td><td>69 000</td><td>37 120</td><td>16 448</td><td>6 072</td><td>9 360</td><td></td></tr>
<tr><td>Reapportionment Stores department</td><td></td><td>2 024</td><td>2 530</td><td>(6 072)</td><td>1 518</td><td>(1) OF row</td></tr>
<tr><td>Subtotal</td><td></td><td>39 144</td><td>18 978</td><td>–</td><td>10 878</td><td></td></tr>
<tr><td>Reapportionment Canteen department</td><td></td><td>7 615</td><td>3 263</td><td></td><td>(10 878)</td><td>(1) OF row</td></tr>
<tr><td>Total</td><td></td><td>46 759 (1) OF</td><td>22 241 (1) OF</td><td>–</td><td>–</td><td></td></tr>
</table></td><td>7</td></tr>
<tr><td>4(b)</td><td>Calculate, to <u>two</u> decimal places, the overhead absorption rates for each of the two production departments.
<table>
<tr><td>Baking department</td><td>$46 759/5800 = $8.06 (1) OF per machine hour (1) From 4(a)</td></tr>
<tr><td>Packaging department</td><td>$22 241/820 = $27.12 (1) OF per labour hour (1) From 4(a)</td></tr>
</table></td><td>4</td></tr>
<tr><td>4(c)</td><td>State <u>two</u> reasons why overheads could be over-absorbed in the packaging department.

If actual overheads are less than budgeted overheads (1)
If actual production is greater than budgeted production (1)</td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)</td><td>Calculate the selling price of the order.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Direct materials</td><td>31.00 }</td><td rowspan="3">(1)</td></tr>
<tr><td>Direct labour: Baking department ($11.50 × 8.5)</td><td>97.75}</td></tr>
<tr><td>Direct labour: Packaging department ($11.50 × 3.5)</td><td>40.25}</td></tr>
<tr><td>Overheads: Baking department ($8.06 × 9.5) from 4b)</td><td>76.57</td><td>(1) OF</td></tr>
<tr><td>Overheads: Packaging department ($27.12 × 3.5) from 4b)</td><td>94.92</td><td>(1) OF</td></tr>
<tr><td>Total cost</td><td>340.49</td><td>(1) OF</td></tr>
<tr><td>Add profit</td><td>340.49</td><td>(1) OF</td></tr>
<tr><td>Total selling price</td><td>680.98</td><td>(1) OF</td></tr>
</table>
* $169 = (1) for combined direct materials and labour.</td><td>6</td></tr>
<tr><td>4(e)</td><td>Advise the directors whether or not this order should be accepted. Justify your answer by considering the advantages and disadvantages of accepting the order. Calculations are <u>not</u> required.

For (Max 3)
Could make use of future spare capacity helping to retain direct labour (1)
May lead to future orders (1)

Against (Max 3)
Currently at full capacity so will have to let down other customers (1)
Regular customers may hear of reduced price and request the same (1)
Will workforce be available for overtime? (1)
Will potential overtime costs make the order unprofitable? (1)
Decrease in current (gross) profit margin (1)
Prediction of reduced demand may be wrong (1)

Decision supported with a comment (1)

Accept other valid responses</td><td>5</td></tr>
</table>

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Question	Answer	Marks
4(f)	**State two features of the AVCO method of inventory valuation.** Avoids inequality of identical items being charged to different jobs at different prices **(1)** Smooths out changes in cost **(1)** Recognises that identical items purchased at different times and prices have identical values **(1)** A new average value is calculated every time a new purchase of inventory is made **(1)** May not represent any price actually paid for inventory **(1)** **Max 2** **Accept other valid responses**	**2**
4(g)	**Explain one advantage and one disadvantage of the JIT system of inventory management.** Advantages **(Max 2 marks)** Reduces the need to hold large quantities of inventory **(1)** resulting in reduced storage costs **(1)** Less cash is tied up in inventory **(1)** this could then mean cash can be used for other opportunities **(1)** Less inventory stolen/damaged **(1)** which lowers wastage costs/improves profit margins **(1)** Inventory is always available when required **(1)** preventing holdups in production **(1)** can react fast to changes in consumer tastes **(1)** which helps increase revenue **(1)** Disadvantages **(Max 2 marks)** Requires a reliable supply chain **(1)** to avoid stockouts/delays in production **(1)** Requires proper operations management **(1)** to identify which components are required and at what time **(1)** Unexpected orders cannot be met **(1)** as materials aren't in storage/lose out on sales/ revenue **(1)** Delivery/admin costs may be higher (**1)** due to increased amount of orders placed **(1)** Miss out on economies of scale/bulk buying/discounts **(1)** which will lead to higher average costs **(1)** **Accept other valid responses**	**4**

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