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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/23**

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.

This document consists of **16** printed pages.

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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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9706/23 Mark Scheme June 2026

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

Question	Answer	Marks
1(a)	**Prepare the statement of profit or loss for the year ended 31 December 2025.**	**14**

H plc
Statement of profit or loss for the year ended 31 December 2025

	$	
Revenue **W1**	523 260	**(2)**
Cost of sales **W2**	(232 030)	**(1)**
Gross profit	291 230	
Distribution costs **W3**	(75 128)	**(4) OF**
Administrative expenses **W4**	(126 782)	**(5) OF**
Profit from operations	89 320	
Finance costs **W5**	(13 040)	**(1)**
Profit before tax	76 280	
Tax	(15 700)	
Profit for the year	60 580	**(1) OF**

Ignore aliens
W1 Revenue:
$535 630 – goods on sale or return 9 600 **(1)** – sales returns $2 770 =
$523 260 **(1)**
W2 Cost of sales
*$236 830 – goods on sale or return at cost $4800 = $232 030 **(1)**
W3 Distribution costs

	$	
As per trial balance	20 890	
Advertising (1/2 × 24 500) or (24500 – 12250)	12 250	**(1)**
Motor vehicle expenses (9528 – 4800)	4 728	**(1)**
Depreciation of motor vehicles and equipment*	37 260	**(1)**
	75 128	**(1) OF**

Depreciation $41 988 = **(2)**
*Depreciation: ($406 000 + $8000) × 15% gives total $62 100 60% = $37 260

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>

W4 Administrative expenses

	$	
As per trial balance	34 090	
Directors' remuneration	64 500	**(1)**
Motor vehicle expenses (6352 – 3200)	3 152	**(1)**
Depreciation of non-current assets	24 840	**(1)**
Increase in allowance for irrecoverable debts*	200	**(1)**
	126 782	**(1) OF**

*New allowance for irrecoverable debts: 5% × trade receivables ($44 800 – $9 600 goods on sale or return, i.e. $35 200) = $1 760
Increase in allowance: $1 760 – $1 560 = $200

W5 Finance costs

	$	
Bank loan interest	12 240	
Debenture interest (8% × 40 000 × 1/4)	800	
	13 040	**(1)**

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>

Prepare an extract from the statement of financial position at 31 December 2025 to show the <u>equity and liabilities sections only</u>.

H plc
Statement of financial position at 31 December 2025

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>EQUITY AND LIABILITIES</td><td></td><td></td></tr>
<tr><td>EQUITY</td><td></td><td></td></tr>
<tr><td>(Ordinary) share capital</td><td>840 000</td><td>(1)</td></tr>
<tr><td>Revaluation reserve</td><td>150 000</td><td>(1)</td></tr>
<tr><td>Retained earnings W1</td><td>37 500</td><td>(3) OF</td></tr>
<tr><td>Total equity</td><td>1 027 500</td><td></td></tr>
<tr><td>NON-CURRENT LIABILITIES</td><td></td><td></td></tr>
<tr><td>(8%) Debentures (2033)</td><td>40 000</td><td>(1)</td></tr>
<tr><td>CURRENT LIABILITIES</td><td></td><td></td></tr>
<tr><td>Trade and other payables W2</td><td>22 090</td><td>(1)</td></tr>
<tr><td>Tax/taxation liabilities/payable</td><td>15 700</td><td>(1)</td></tr>
<tr><td></td><td>37 790</td><td></td></tr>
<tr><td>Total liabilities</td><td>77 790</td><td></td></tr>
<tr><td>Total equity and liabilities</td><td>1 105 290</td><td>(1) OF</td></tr>
</table>

W1 Retained earnings: $156 920 + profit for the year $60 580 **from 1(a)** – dividends $30 000 **(1)** – $150 000 bonus OR (240 000 – 90 000) **(1)** = $37 500 **(1) OF**

W2 Trade and other payables $21 290 + debenture interest due $800 = $22 090 **(1)**

</td><td>9</td></tr>
</table>

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Question	Answer	Marks
1(c)	**Advise the directors which option they should choose. Justify your choice by discussing the advantages and disadvantages of <u>each</u> option.** **Option A: (Max 3)** For: May increase sales to existing customers **(1)** May attract new customers/wider audience **(1)** Spread risk due to wider range of goods **(1)** Against: Possible increase in storage costs/ less storage available **(1)** May have to advertise wider range which will increase expenses **(1)** Possible reduction in availability of existing range of goods, risking loss of sales **(1)** **Option B (Max 3)** For: If demand is maintained profits/revenue will increase **(1)** Perception that an increase in prices is evidence of higher quality **(1)** Increase in profit margin **(1)** Against: May reduce competitiveness leading to loss of sales **(1)** May lead to a loss of existing customers **(1)** 4% increase may not improve profitability significantly **(1)** **Accept other valid responses** **Decision supported with a comment (1)**	**7**

Question	Answer	Marks
2(a)	**Prepare an updated cash book at 30 November 2025.**	**5**

Cash book (bank columns)

Date	Details	$		Date	Details	$	
Nov 30	Balance b/d	372		Nov 30	Bank charges	102	**(1)**
	Suspense/error/ understated	140	**(1)**		J Limited	182	**(1)**
	Balance c/d	291			J Limited	182	
					Rent	337	**(1)**
		803				803	
				Dec 1	Balance b/d	291	**(1) OF**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Prepare a bank reconciliation statement at 30 November 2025.

Bank reconciliation statement
<table>
<tr><td></td><td>$</td><td>$</td><td></td></tr>
<tr><td>Balance shown on bank statement (overdrawn)</td><td></td><td>(1 463)</td><td></td></tr>
<tr><td>Less: unpresented cheques</td><td></td><td></td><td></td></tr>
<tr><td>K Baker</td><td>460</td><td></td><td></td></tr>
<tr><td>L Hardy</td><td>587</td><td></td><td></td></tr>
<tr><td></td><td></td><td>(1 047)</td><td>(1)</td></tr>
<tr><td>Add: error (insurance) OR direct debit</td><td></td><td>249</td><td>(1)</td></tr>
<tr><td>Add: outstanding/uncredited banking OR cash sales</td><td></td><td>1 970</td><td>(1)</td></tr>
<tr><td>Balance as per/on cash book (overdrawn)</td><td></td><td>(291)</td><td>(1) OF</td></tr>
</table></td><td>4</td></tr>
<tr><td>2(c)</td><td>Identify <u>two</u> features of a standing order payment.

A standing order is paid automatically by the bank on the instructions of the customer (1)
The payment is made at regular or fixed intervals/every month/recurring (1)
A standing order is for an agreed fixed sum (1)

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

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Question	Answer	Marks
2(d))	**Explain <u>two</u> reasons why it is important for a business to be able to prepare complete and accurate financial statements.** Accounting records will be used as the basis for decision making/future planning about the business **(1)**. Unless they are error free, decisions are likely to lack validity/ensures reliability **(1).** Accounting records will be used by a range of stakeholders **(1)**, who could be misled by any inaccurate information **(1).** Inaccurate accounting records could mean that a business fails to meet legal requirements/tax authority requirements **(1),** leading to possible penalties **(1).** To assess the performance of the business/enable to make comparisons **(1)** and can then identify which parts to improve **(1).** To gain bank loans/investors **(1)** need to see existing liabilities/profit to make decisions **(1).** **Max 2 reasons × 2 marks (1 mark for identification of reason and 1 mark for development)** **Accept other valid responses.**	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Prepare journal entries to correct the errors. Narratives are <u>not</u> required.

General journal

<table>
<tr><th>details</th><th>debit
$</th><th>credit
$</th><th></th></tr>
<tr><td>Purchases returns</td><td>609</td><td></td><td>(1)</td></tr>
<tr><td>Suspense</td><td></td><td>609</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>H Limited</td><td>180</td><td></td><td>(1)</td></tr>
<tr><td>Purchases</td><td></td><td>180</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Suspense</td><td>314</td><td></td><td>(1)</td></tr>
<tr><td>C Limited</td><td></td><td>314</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Drawings</td><td>900</td><td></td><td>(1)</td></tr>
<tr><td>Sales</td><td></td><td>450</td><td>(1)</td></tr>
<tr><td>Purchases</td><td></td><td>450</td><td>(1)</td></tr>
</table></td><td>7</td></tr>
<tr><td>3(b)</td><td>Calculate the balance that remains on the suspense account after the correction of the errors 1 to 4, clearly stating whether it is a debit balance or a credit balance.

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Original difference in trial balance totals (debit)</td><td>2 349</td><td></td></tr>
<tr><td>Purchase returns error</td><td>(609)</td><td>(1)</td></tr>
<tr><td>C Limited error</td><td>314</td><td>(1)</td></tr>
<tr><td>(Updated suspense account balance) debit</td><td>2 054</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>3(c)</td><td>Calculate the revised profit or loss for the year ended 31 December 2025 <u>after</u> errors 1 to 4 had been corrected.
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Draft profit for the year</td><td>11 480</td><td></td></tr>
<tr><td>Purchase returns</td><td>(609)</td><td>(1)</td></tr>
<tr><td>Overstated purchases</td><td>180</td><td>(1)</td></tr>
<tr><td>Sales error</td><td>450</td><td>(1)</td></tr>
<tr><td>Purchases error</td><td>450</td><td>(1)</td></tr>
<tr><td>Revised profit for the year</td><td>11 951</td><td>(1)</td></tr>
</table></td><td>5</td></tr>
</table>

Question	Answer	Marks
4(a)(i)	**Calculate each of the following:** **break-even point in units** Selling price $158 – variable cost $101 = contribution $57 **(1)** Fixed costs 12 000 × 33 = $396 000 **(1)** Break-even point: $\frac{396\,000}{57}$ = 6948 units **(1)**	**3**
4(a)(ii)	**monthly profit.** Monthly profit: (12 000 × $57, i.e. $684 000) **(1) –** fixed costs $396 000 = $288 000 (**1)** **Or** Monthly profit (12 000 – 6948) units i.e. 5 052 **(1)** × $57 = $287 964 **(1)**	**2**

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Question	Answer	Marks
4(b)	**State <u>three</u> limitations of break-even analysis.** • fixed costs are assumed to be fixed (**1)** • assumes all output made is sold **(1)** • ignores economies of scale such as trade discounts for bulk purchases/assumes variable costs are constant at all levels OR per unit **(1)** • selling price is assumed to be constant **(1)** • semi-variable costs are not considered/costs are not easily classified as fixed or variable **(1)** • there are no changes in the levels of inventory **(1)** • cannot normally be used if there is a product mix /assumes only one type of product is sold **(1)** **Max 3** **Accept other valid responses.**	**3**
4(c)	**Calculate the <u>change</u> in the break-even point in <u>units</u> per month, if the plans are adopted.** Contribution: \$57 – increase in materials per unit \$2 = \$55**(1)OF** Fixed costs: \$396 000 + additional depreciation \$30 000 = \$426 000 **(1)** New break-even point: \$426 000/55 = 7 746 units **(1)** Break-even change: 7 746 – 6948 = 798 units increase **(1) OF**	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)</td><td>

Calculate the budgeted profit or loss for September 2026, if option A is adopted.

<table>
<tr><td></td><td>Exe</td><td>Wye</td><td>Zed</td></tr>
<tr><td></td><td>$</td><td>$</td><td>$</td></tr>
<tr><td>Contribution</td><td>7</td><td>5</td><td>8</td></tr>
<tr><td>Contribution per kg of direct materials</td><td>4</td><td>2.5</td><td>3.56</td></tr>
<tr><td>Priority order</td><td>1st</td><td>3rd</td><td>2nd</td></tr>
<tr><td></td><td>(1)</td><td>(1)</td><td>(1)</td></tr>
</table>

Materials available (kg): (300 × 1.75, i.e. 525) +(600 × 2, i.e. 1200) (700 × 2.25, i.e. 1575) = 3300 kg × 70% = 2310 kg

Budgeted profit

<table>
<tr><td></td><td>Production</td><td>Contribution per unit</td><td>Contribution $</td><td></td><td>Materials used</td><td>Materials remaining</td></tr>
<tr><td>Product Exe</td><td>300</td><td>7</td><td>2100</td><td>(1)</td><td>525</td><td>1785</td></tr>
<tr><td>Product Zed</td><td>700</td><td>8</td><td>5600</td><td>(1)</td><td>1575</td><td>210</td></tr>
<tr><td>Product Wye</td><td>210/2 = 105</td><td>5</td><td>525</td><td>(1)</td><td></td><td></td></tr>
<tr><td colspan="3">Total contribution</td><td>8225</td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Less fixed costs</td><td>6200</td><td>(1)</td><td></td><td></td></tr>
<tr><td colspan="3">Budgeted profit</td><td>2025</td><td>(1)OF</td><td></td><td></td></tr>
</table>

</td><td>8</td></tr>
<tr><td>4(e)</td><td>

Calculate the budgeted profit or loss for September 2026, if option B is adopted.

New contribution per unit product Wye: $5 – $3 = $2

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Profit from Proposal A from 4(d)</td><td>2025</td><td></td></tr>
<tr><td>Product Wye: 495 × $2</td><td>990</td><td>(1)</td></tr>
<tr><td>Additional fixed costs</td><td>(800)</td><td>(1)</td></tr>
<tr><td>Profit</td><td>2215</td><td>(1)OF</td></tr>
</table>

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

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Question	Answer	Marks
4(f)	**Advise the directors which option they should choose. Justify your answer by considering the advantages and disadvantages of <u>each</u> option.** **Option A (max 3)** **Advantages** Quality of goods produced is unchanged **(1)** Will not need to deal with new suppliers **(1)** Labour might be reduced due to less production **(1)** **Disadvantages** May result in loss of customers (for Product Wye) who may cancel their entire orders **(1)** Produces slightly lower profit **(1)OF** **Option B (max 3)** **Advantages** Demand can be met for all 3 products **(1)** Ensures full production and so no risk of losing direct labour **(1)** More frequent deliveries may reduce storage costs/reduce wastage **(1)** Makes a slightly higher profit than Option A **(1)OF** **Disadvantages** Quality of materials may not be maintained **(1)** Reliability of new supplier **(1)** Delivery charges might increase **(1)** **Accept other valid responses** **Decision with justification (1)** **(Max 7)**	**7**

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