Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/23**

Paper 2 Structured Questions **May/June 2021**

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 May/June 2021 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.

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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).

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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.

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Question	Answer	Marks
1(a)(i)	Consistency – requires policies to be used in the same way each accounting period **(1)** so that valid comparisons can be made of figures **(1)** Illustration **(1)** **Max (2)** **Accept other valid responses**	**2**
1(a)(ii)	Realisation: revenue should only be recognised when goods are invoiced or money received **(1)** to ensure that reported profits are based on certainty **(1)** Illustration **(1)** **Max (2)** **Accept other valid responses**	**2**
1(a)(iii)	Materiality: financial statements only record information which is significant (**1).** Something is material only if its exclusion would be misleading **(1)** Illustration **(1)** **Max (2)** **Accept other valid responses**	**2**

Question	Answer	Marks
1(b)		**7**

	$	$
Revenue		186 500
Returns inwards		(2 940) **(1)**
		183 560
Opening inventory	14 830	
Purchases	93 710	
Drawings	(580) **(1)**	
Carriage inwards	730	
Returns outwards	(3 180) **(1)**	
	105 510	
Closing inventory **W1**	(12 474) **(3)**	
Cost of sales		93 036
Corrected gross profit		90 524 **(1)OF**

W1 $12 670 – $16 **(1)** – $180 **(1)** = $12 474 **(1)**

Accept alternative approaches

Question	Answer	Marks
1(c)	Income statement for the year ended 31 December 2020	**10**

	$	$
Gross profit		90 524
Add: Discounts received	1 580 **(1)**	
Decrease in provision for doubtful debts **(W1)**	40 **(1)**	
Rent receivable **(W2)**	7 240 **(1)**	
		8 860
		99 384
Less: marketing expenses **(W3)**	5 650 **(1)**	
Office expenses	2 950	
Repairs and maintenance **(W4)**	1 590 **(1)**	
Loss on sale of motor vehicle **(W5)**	1 550 **(1)**	
Wages and salaries	31 280	
Depreciation		
Furniture and equipment **(W6)**	2 646 **(2)**	
Premises **(W7)**	3 200 **(1)**	
		(48 866)
Profit for year		50 518 **(1)OF**

Question	Answer	Marks
1(c)	**Workings** **W1** Provision for doubtful debts: original $530 less new provision (5% × $9 800, i.e. $490); decrease $40 **(1)** **W2** Rent receivable: TB $6 640 + amount due $\left(\frac{1}{3}\times\$1800, \text{i.e. } \$600\right)$; $7 240 **(1)** **W3** Marketing expenses: $4 850 + accrual $\left(\frac{2}{5}\times\$2000, \text{i.e. } \$800\right)$; $5 650 **(1)** **W4** Repairs and maintenance: $1 970 – £380 capital expenditure; $1 590 **(1)** **W5** Loss on sale of motor vehicle: nbv $2 900 less proceeds $1 350; $1 550 **(1)** **W6** Depreciation of furniture and equipment: TB cost $18 220 + capital expenditure $380, i.e. $18 600 **(1)** less provision for depreciation $5 370, i.e. nbv $13 230 × 20% = $2 646 **(1)** **W7** Depreciation of premises: $160 000 × 2% = $3 200 **(1)**	
1(d)	Proposal 1 **(Max 3)** For: Possible reduction in storage costs **(1)** Reduces the risk of goods becoming unsaleable as they become dated **(1)** Against: Reduced range of goods available to customers could lead to lost sales **(1)** Could risk items selling out leading to lost sales **(1)** Proposal 2 **(Max 3)** For: Increased profits if business remains competitive **(1)** Higher price may be perceived as better quality **(1)** Against: Increased profits could be offset by reduction in sales **(1)** Higher price could deter existing customers **(1)** Advice **(1)** **Accept other valid responses**	**7**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Check for fraud / deter fraud / make fraud more difficult (1) as the work of the ledger clerk is checked by another member of staff (1)
Provides quick access to totals for trade receivables/trade payables (1) to facilitate preparation of financial statements (1)

Accept other valid responses</td><td>4</td></tr>
<tr><td>2(b)</td><td>Sales ledger control account

<table>
<tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Balance b/d</td><td>17 820</td><td></td><td>Bank</td><td>16 230</td><td rowspan="2">(1)</td></tr>
<tr><td>Sales</td><td>18 440</td><td>(1)</td><td>Discounts allowed</td><td>430</td></tr>
<tr><td>Balance c/d</td><td>170</td><td></td><td>Purchases ledger control a/c (Contra)</td><td>890</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td>Sales returns</td><td>310</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td>Balance c/d</td><td><u>18 570</u></td><td></td></tr>
<tr><td></td><td>36 430</td><td></td><td></td><td><u>36 430</u></td><td></td></tr>
<tr><td>Balance b/d</td><td>18 570</td><td>(1)OF</td><td>Balance b/d</td><td>170</td><td>(1)</td></tr>
</table></td><td>6</td></tr>
<tr><td>2(c)(i)</td><td>Correction of purchases ledger balances

<table>
<tr><td>Details</td><td>$</td><td></td></tr>
<tr><td>Incorrect total</td><td>12 860</td><td></td></tr>
<tr><td>Add interest on overdue account (error 3)</td><td>260</td><td>(1)</td></tr>
<tr><td>Corrected balance</td><td>13 120</td><td>(1)OF</td></tr>
</table></td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)(ii)</td><td>Correction of purchases ledger control account balance

<table>
<tr><td>Details</td><td>$</td><td></td></tr>
<tr><td>Incorrect balance</td><td>12 980</td><td></td></tr>
<tr><td>Less discounts received (error 1)</td><td>(110)</td><td>(1)</td></tr>
<tr><td>Add purchases returns (error 2)</td><td>250</td><td>(1)</td></tr>
<tr><td>Corrected total</td><td>13 120</td><td>(1)OF</td></tr>
</table></td><td>3</td></tr>
<tr><td>3(a)</td><td>Realisation account

<table>
<tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Assets to be realised</td><td></td><td></td><td>Capital Winston</td><td>7 200</td><td>(1)</td></tr>
<tr><td>Premises</td><td>97 000</td><td rowspan="3">(1)</td><td>Bank</td><td>61 100</td><td>(1)</td></tr>
<tr><td>Furniture and equipment</td><td>22 000</td><td>Bank</td><td>12 200</td><td>(1)</td></tr>
<tr><td>Inventory</td><td>17 400</td><td>Discounts received</td><td>740</td><td>(1)</td></tr>
<tr><td>Bank</td><td>2 140</td><td>(1)</td><td>Realisation loss:</td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>Cherry</td><td>17 190</td><td rowspan="3">(1)of</td></tr>
<tr><td></td><td></td><td></td><td>Winston</td><td>28 650</td></tr>
<tr><td></td><td></td><td></td><td>Yupar</td><td>11 460</td></tr>
<tr><td></td><td>138 540</td><td></td><td></td><td>138 540</td><td></td></tr>
</table></td><td>7</td></tr>
</table>

Question	Answer	Marks
3(a)	**Alternative answer** Realisation account	

	$			$	
Assets to be realised			Capital Winston	7 200	**(1)**
Premises	97 000	**(1)**	Bank	61 100	**(1)**
Furniture and equipment	22 000		Bank	12 200	**(1)**
Inventory	17 400				
Bank: trade payables	14 060		Trade payables	14 800	**(1*) row**
Bank	2 140	**(1)**	Realisation loss:		
			Cherry	17 190	**(1)OF**
			Winston	28 650	
			Yupar	11 460	
	152 600			152 600	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Capital accounts

<table>
<tr><td></td><td>Cherry</td><td>Winston</td><td>Yupar</td><td></td><td></td><td>Cherry</td><td>Winston</td><td>Yupar</td><td></td></tr>
<tr><td></td><td>$</td><td>$</td><td>$</td><td></td><td></td><td>$</td><td>$</td><td>$</td><td></td></tr>
<tr><td>Realisation a/c</td><td></td><td>7 200</td><td></td><td></td><td>Balances b/d</td><td>18 300</td><td>54 900</td><td>26 700</td><td></td></tr>
<tr><td>Current account</td><td>5 740</td><td></td><td></td><td></td><td>Current accounts</td><td></td><td>2 290</td><td>820</td><td>(1) row</td></tr>
<tr><td>Realisation (loss)</td><td>17 190</td><td>28 650</td><td>11 460</td><td>(1)OF row</td><td>Loan</td><td></td><td></td><td>18 000</td><td>(1)</td></tr>
<tr><td>Bank</td><td></td><td>21 340</td><td>34 060</td><td>(1)OF both</td><td>Bank</td><td>4 630</td><td>(1)OF</td><td></td><td></td></tr>
<tr><td></td><td>22 930</td><td>57 190</td><td>45 520</td><td></td><td></td><td>22 930</td><td>57 190</td><td>45 520</td><td></td></tr>
</table>
</td><td>5</td></tr>
<tr><td>3(c)</td><td>Partnership is making a loss (1)
Retirement of a partner (1)
Death of a partner (1)
Objectives of business achieved (1)
Bankruptcy of a partner (1)

Accept other valid responses
Max 3</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>$\frac{9\,600\,(\mathbf{1})}{36-25.20\,(\mathbf{1})}=\frac{9\,600}{10.80\,(\mathbf{1})\,\mathbf{OF}}=889\,(\mathbf{1})\,\mathbf{OF}$</td><td>4</td></tr>
<tr><td>4(b)(i)</td><td>1 200 – 889 = 311 units (1)OF</td><td>1</td></tr>
<tr><td>4(b)(ii)</td><td>311 × $36 = $11 196 (1)OF</td><td>1</td></tr>
<tr><td>4(c)</td><td>Sales and production levels are the same. (1)
Total fixed costs are constant. (1)
Variable costs per unit are the same. (1)
Selling price per unit remains the same. (1)
Product mix remains constant. (1)
Costs can be easily classified as fixed or variable. (1)

Accept other valid responses
Max 3</td><td>3</td></tr>
<tr><td>4(d)(i)</td><td>Ratio is $\left(\frac{10.80}{36}\right)\times 100=30\%$ (1)OF</td><td>1</td></tr>
<tr><td>4(d)(ii)</td><td><table><tr><td></td><td>$</td></tr><tr><td>Contribution per unit</td><td>10.80</td></tr><tr><td>× qty</td><td>1 120</td></tr><tr><td>Total contribution</td><td>12 096 (1)OF</td></tr><tr><td>Fixed cost</td><td>9 600</td></tr><tr><td>Profit</td><td>2 496 (1)OF</td></tr></table></td><td>2</td></tr>
</table>

Question	Answer	Marks
4(e)(i)	Option A	**7**

		Inhouse	Buy
	$	$	$
Selling price		36	36
Direct materials	10 .50		
Direct labour	14 .50		
Other variable costs	2 .30		
Total variable costs		27 .30 **(1)**	27 .70 **(1)**
Contribution per unit		8 .70	8 .30
Qty x		900	250
Total contribution		7 830 **(1)OF**	
Fixed costs		9 600 **(1)**	
Profit/(loss)		(1 770) **(1)OF**	2 075 **(1)OF**

Profit (1 770) + 2 075 = 305 **(1)OF**

Accept alternative approaches

Question	Answer	Marks
4(e)(ii)	Option B	3

	$	
Contribution per unit	10 .80	
Qty ×	1 100	
Total contribution	11 880	**(1)**
Fixed costs	11 200	**(1)**
Profit	680	**(1)OF**

Alternative

	$	$	
Sales		39 600	
Direct materials	9 240		
Direct labour	15 950		
Other variable overheads	2 530		
	27 720	**(1)**	
Fixed costs	11 200	**(1)**	38 920
Profit		680	**(1)OF**

Accept alternative approaches

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(f)</td><td>Option A (Max 2)

<table>
<tr><th>For</th><th>Against</th></tr>
<tr><td>Produces a profit (1)OF</td><td>Will supplier be reliable? (1)</td></tr>
<tr><td>Keeps production closer to current levels so more likely that regular orders will be satisfied. (1)</td><td>Will quality be maintained? (1)</td></tr>
</table>

Option B (Max 2)

<table>
<tr><th>For</th><th>Against</th></tr>
<tr><td>Produces a larger profit than option A (1)OF</td><td>Production will be below current monthly output so some staff could be idle (1)</td></tr>
<tr><td>Quality likely to be maintained as production remains in-house (1)</td><td>Some regular customers may be lost because production below normal output (1)</td></tr>
</table>

Advice (1)
Accept other valid responses</td><td>5</td></tr>
<tr><td>4(g)</td><td>Demotivated workforce (1)
Unexpected opportunities ignored (1)
Resources used inefficiently (1)

Accept other valid responses</td><td>3</td></tr>
</table>

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