Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/23**

Paper 2 Structured Questions **October/November 2022**

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 2022 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **17** printed pages.

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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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ANNOTATIONS
The following annotations are used in marking this paper and should be used by examiner

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
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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Question	Answer	Marks
1(a)	$146 850 **(2) W1** **W1** $149 810 + +(20 620 – 23 580) **(1)** = $146 850 **(1) OF**	**2**
1(b)	$80 140 + $8 520 – $6 285 = $82 375 **(1)**	**1**
1(c)	$2840 **(3) W1** **W1** ($240 + $15 280) **(1)** – ($5 400 – $7170 – $110) **(1)** = $2840 **(1) OF**	**3**
1(d)	$2049 **(3) W1** **W1** Cost: $18 480 + 9200 – $6000 = $21 680 **(1)** Acc Dep'n: $9685 – $1665 = $8 020 **(1)** Carrying value $13 660 Depreciation charge (15%) $2 049 **(1) OF**	**3**

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Question	Answer	Marks
1(e)	Reece Income statement for the year ended 30 June 2022	**10**

	$		$	
Revenue			162 130	**(1) OF**
Cost of sales				
Opening inventory	23 600			
Purchases	82 375	**(1) OF**		
Goods taken for own use	(280)	**(1)**		
	105 695			
Closing inventory	(20 825)	**(1)**	84 870	
Gross profit			77 260	**(1) OF**
Wages	39 080	**(1) OF**		
Rent	12 100	**(1)**		
Electricity	3 640	**(1)**		
General expenses	18 590			
Depreciation	2 049			
Loss on disposal	335	**(1)**		
			75 794	
Profit for the year			1 466	**(1) OF**

1(f)	Wear and tear **(1).** Obsolescence **(1).** Technological change **(1).** Usage **(1).** **Max 2 marks** **Accept other valid responses.**	**2**
1(g)(i)	Matching concept **(1)** To match the costs of usage of the non-current asset with the revenue earned in the same year**(1)**	**2**

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Question	Answer	Marks
1(g)(ii)	Prudence concept **(1)** To ensure that inventory / current assets / profit are not overstated **(1)**	**2**
1(h)	Would enable Reece to monitor and control all income and expenditure **(1)** which in turn should avoid the occurrence of irrecoverable debts **(1).** However. Reece may not have the necessary skills/time to maintain a full set of accounting records **(1)** and this may involve additional expenditure and reduced profitability in having to employ skilled services **(1)** Advice **(1)** **Accept other valid responses.**	**5**

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Question	Answer	Marks
2(a)	Capital accounts	**5**

	Darius	Ewan	Karim		Darius	Ewan	Karim	
	$	$	$		$	$	$	
Goodwill **	18 400	11 040	7 360	Balances b/d	94 300	68 300		
Balances c/d	102 650	73 310	40 640	Fixtures and fittings			9 500	**(1)**
				Bank			38 500	**(1)**
				Goodwill **	23 000	13 800		**(1)****
				Revaluation	3 750	2 250		**(1)**
	121 050	84 350	48 000		121 050	84 350	48 000	
				Balances b/d	102 650	73 310	40 640	**(1) OF**

**** 1 mark is for both Dr and Cr entries**

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Question	Answer	Marks
2(b)	Darius, Ewan and Karim Statement of financial position at 1 August 2022 $ Non-current assets Property 135 000 Fixtures and fittings 53 500 188 500 **(1)** Current assets Inventory 34 200 **(1)** Trade and other receivables 6 300 Bank 25 800 **(1)** 66 300 Total Assets 254 800 Capital and liabilities Capital accounts Darius 102 650 Ewan 73 310 Karim 40 640 216 600 **(1) OF** Non-current liabilities Bank loan (2025) 24 000 **(1)** Current liabilities Trade and other payables 14 200 Total liabilities 38 200 Total capital and liabilities 254 800 **(1) OF**	**6**

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Question	Answer	Marks
2(c)	**Partners**: to reward the partners for their investment **(1).** **Partnership:** to encourage further investment in the partnership **(1).** **Accept other valid responses.**	**2**
2(d)	To discourage partners from taking excess drawings from the partnership **(1)** which will avoid future cash flow problems **(1).** **Accept other valid responses.**	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>A long-term loan to a company (1) repayable between 2025 and 2026 (1) at a fixed interest rate of 8% per annum (1).</td><td>3</td></tr>
<tr><td>3(b)</td><td>R Limited
Statement of changes in equity for the year ended 30 September 2022

<table>
<tr><td></td><td>Share capital $000</td><td>Share premium $000</td><td>Revaluation reserve $000</td><td>Retained earnings $000</td><td>Total $000</td></tr>
<tr><td>At 1 October 2021</td><td>1 200</td><td>145</td><td>40</td><td>315</td><td>1 700</td></tr>
<tr><td>Final dividend / dividend (paid)</td><td></td><td></td><td></td><td>(144) (1)</td><td>(144)</td></tr>
<tr><td>Rights issue</td><td>300 (1)</td><td>90 (1)</td><td></td><td></td><td>390</td></tr>
<tr><td>Bonus issue</td><td>250 (1)</td><td>(235) (1)</td><td></td><td>(15) (1)</td><td>-</td></tr>
<tr><td>Interim dividend / dividend (paid)</td><td></td><td></td><td></td><td>(140) (1) OF</td><td>(140)</td></tr>
<tr><td>Revaluation</td><td></td><td></td><td>(5) (1)</td><td></td><td>(5)</td></tr>
<tr><td>Profit for the year</td><td></td><td></td><td></td><td>87 (1)</td><td>87</td></tr>
<tr><td>At 30 September 2022</td><td>1 750</td><td>-</td><td>35</td><td>103</td><td>1 888 (1) OF for row</td></tr>
</table>
</td><td>10</td></tr>
</table>

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Question	Answer	Marks
3(c)	A proposed dividend should be shown as a note to the accounts but should not be shown as a liability **(1)** as at the reporting date it has not been approved by the shareholders and as such there is no certainty that it will be paid **(1)** **Accept other valid responses.**	**2**

Question	Answer	Marks
4(a)		**4**

	Total $	Production departments		Service departments		
		Machining $	Finishing $	Stores $	Maintenance $	
Allocated overheads	803 900	288 500	515 400	–	–	
Indirect labour	459 000	106 000	52 000	70 000	231 000	
Other indirect costs	360 000	114 000	56 000	78 000	112 000	
Total overheads	1 622 900	508 500	623 400	148 000	343 000	
Reapportion Stores		111 435	31 341	(148 000)	5 224	**(1) for row**
		619 935	654 741	–	348 224	
Reapportion Maintenance		278 579	69 645		(348 224)	**(1) OF for row**
Total overheads		898 514 **(1) OF**	724 386 **(1) OF**		–	

4(b)	Machining: \$898 514 **(OF)** / 48 000 = \$18.72 **(1) OF** per machine hour **(1)** Finishing: \$724 386 **(OF)** / 54 600 = \$13.27 **(1) OF** per labour hour **(1)**	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>Machining: $18.72 (OF) × 49 200 = $921 024 – $910 000 = $11 024 (1) OF over absorbed (1) OF

Finishing: $13.27 (OF) × 51 800 = $687 386 – $705 000 = $17 614 (1) OF under absorbed (1) OF</td><td>4</td></tr>
<tr><td>4(d)</td><td>Actual expenditure was higher than budgeted expenditure (1)

Actual output was less than budgeted output (1)</td><td>2</td></tr>
<tr><td>4(e)</td><td>$594 900 / 66 100 hours = $9 per labour hour (1)</td><td>1</td></tr>
<tr><td>4(f)</td><td>
<table>
<tr><td></td><td></td><td>$</td><td></td></tr>
<tr><td>Direct material</td><td>4 × $2.45</td><td>9.80</td><td>(1)</td></tr>
<tr><td>Direct labour – machining</td><td>3 × $11.25 (OF)</td><td>33.75</td><td rowspan="2">(1) OF both</td></tr>
<tr><td>Direct labour finishing</td><td>4.5 × $9 (OF)</td><td>40.50</td></tr>
<tr><td>Overheads – machining</td><td>1.25 × $18.72 (OF)</td><td>23.40</td><td>(1) OF</td></tr>
<tr><td>Overheads – finishing</td><td>2.5 × $13.27 (OF)</td><td>33.18</td><td>(1) OF</td></tr>
<tr><td>Total unit cost</td><td></td><td>140.63</td><td></td></tr>
<tr><td>Units</td><td></td><td>× 50</td><td></td></tr>
<tr><td>Total cost</td><td></td><td>7 031.50</td><td>(1) OF</td></tr>
<tr><td>Profit</td><td>× 25/75</td><td>2 343.83</td><td></td></tr>
<tr><td>Selling price</td><td></td><td>9 375.33</td><td>(1) OF</td></tr>
</table>
</td><td>6</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>Alternative presentation
<table>
<tr><td>$</td><td></td></tr>
<tr><td>490.00</td><td>(1)</td></tr>
<tr><td>1 687.50</td><td rowspan="2">(1) OF both</td></tr>
<tr><td>2 025.00</td></tr>
<tr><td>1 170.00</td><td>(1) OF</td></tr>
<tr><td>1 659.00</td><td>(1) OF</td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td>7 031.50</td><td>(1) OF</td></tr>
<tr><td>2 343.83</td><td></td></tr>
<tr><td>9 375.33</td><td>(1) OF</td></tr>
</table></td><td></td></tr>
<tr><td>4(g)</td><td>If service centres’ costs are not included the costs will not be recovered (1) and the selling price will be incorrect (1).

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

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Question	Answer	Marks
4(h)	A factory-wide absorption rate would be easier to calculate as it would require less detailed analysis **(1)** However, it would be less accurate **(1)** as some work would require either more direct labour hours or more machine hours **(1)** than others. As a result, this would lead to under or over absorption of overheads on each job **(1).** If overheads are over absorbed, this may lead to a higher selling price **(1)** which in turn may lead to lower demand **(1)** and consequently, lower profits **(1).** If overheads are under absorbed, this may lead to a lower selling price **(1)** and consequently failure to cover all production costs **(1)** resulting in lower profits **(1).** Justification: **Max 6 marks** Decision **(1)** **Accept other valid responses.**	**7**

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