

Cambridge  
International  
AS & A Level

**Cambridge Assessment International Education**  
Cambridge International Advanced Subsidiary and Advanced Level

---

**ACCOUNTING**

**9706/23**

Paper 2 Structured Questions

**May/June 2018**

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 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

---

IGCSE™ is a registered trademark.

This document consists of **13** printed pages.

### 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.

**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.

Question	Answer	Marks									
1(a)	<p>Profit for year before adjustments \$ 37 490</p> <p>Less:</p> <table style="margin-left: 20px;"> <tr> <td>Depreciation – Plant and machinery <b>W1</b></td> <td style="text-align: right;">6 250</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>– Motor vehicles <b>W2</b></td> <td style="text-align: right;">5 680</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Loss on sale <b>W3</b></td> <td style="text-align: right;"><u>1 200</u></td> <td style="text-align: right;"><u>(1)</u></td> </tr> </table> <p style="margin-left: 20px;">Revised profit before appropriation <u>24 360</u> <b>(2)CF(1)OF</b></p> <p><b>W1:</b> Depreciation plant and machinery = 65 000 + 7500 – 10 000 · 10% = 6250</p> <p><b>W2:</b> depreciation motor vehicles = 18 000 – 3600 = (14 400 + 14 000) · 20% = 5680</p> <p><b>W3:</b> Loss on sale (10 000 – 2000) = 8000 – 6800 = 1200</p>	Depreciation – Plant and machinery <b>W1</b>	6 250	(1)	– Motor vehicles <b>W2</b>	5 680	(1)	Loss on sale <b>W3</b>	<u>1 200</u>	<u>(1)</u>	5
Depreciation – Plant and machinery <b>W1</b>	6 250	(1)									
– Motor vehicles <b>W2</b>	5 680	(1)									
Loss on sale <b>W3</b>	<u>1 200</u>	<u>(1)</u>									

Question	Answer	Marks																																																																																										
1(b)	<p style="text-align: right;">Carlos and Erika</p> <p style="text-align: right;">Appropriation account for the year ended 31 July 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Revised profit for the year</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">24 360</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Add: Interest on drawings</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Carlos</td> <td style="text-align: right;">–</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Erika</td> <td style="text-align: right;"><u>300</u></td> <td></td> <td style="text-align: right;">300</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Less: Interest on capital</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Carlos</td> <td style="text-align: right;">(2 520)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Erika</td> <td style="text-align: right;"><u>(840)</u></td> <td></td> <td style="text-align: right;">(3 360)</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Less: Salary</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Carlos</td> <td style="text-align: right;">(10 000)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Erika</td> <td style="text-align: right;"><u>(15 000)</u></td> <td></td> <td style="text-align: right;">(25 000)</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Loss</td> <td></td> <td></td> <td style="text-align: right;"><u>(3 700)</u></td> <td></td> <td></td> </tr> <tr> <td>Share of loss</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Carlos</td> <td style="text-align: right;">(2 775)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Erika</td> <td style="text-align: right;"><u>(925)</u></td> <td></td> <td style="text-align: right;">(1)OF</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>(3 700)</u></td> <td></td> <td></td> </tr> </table> <p>Revised profit must be candidate's own figure from 1(a) to be awarded OF share of loss mark.</p>	Revised profit for the year		24 360				Add: Interest on drawings						Carlos	–					Erika	<u>300</u>		300	(1)		Less: Interest on capital						Carlos	(2 520)					Erika	<u>(840)</u>		(3 360)	(1)		Less: Salary						Carlos	(10 000)					Erika	<u>(15 000)</u>		(25 000)	(1)		Loss			<u>(3 700)</u>			Share of loss						Carlos	(2 775)					Erika	<u>(925)</u>		(1)OF						<u>(3 700)</u>			4
Revised profit for the year		24 360																																																																																										
Add: Interest on drawings																																																																																												
Carlos	–																																																																																											
Erika	<u>300</u>		300	(1)																																																																																								
Less: Interest on capital																																																																																												
Carlos	(2 520)																																																																																											
Erika	<u>(840)</u>		(3 360)	(1)																																																																																								
Less: Salary																																																																																												
Carlos	(10 000)																																																																																											
Erika	<u>(15 000)</u>		(25 000)	(1)																																																																																								
Loss			<u>(3 700)</u>																																																																																									
Share of loss																																																																																												
Carlos	(2 775)																																																																																											
Erika	<u>(925)</u>		(1)OF																																																																																									
			<u>(3 700)</u>																																																																																									

Question	Answer	Marks																																
1(c)	<p>Carlos and Erika Current accounts</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> </tr> <tr> <th></th> <th style="text-align: right;">Carlos</th> <th style="text-align: right;">Erika</th> <th style="text-align: right;">Erika</th> </tr> </thead> <tbody> <tr> <td>Balance b/d</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">250</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">–</td> <td style="text-align: right;">25 000 *</td> <td style="text-align: right;">840</td> </tr> <tr> <td>Interest on drawings</td> <td></td> <td style="text-align: right;">300</td> <td style="text-align: right;">15 000 *</td> </tr> <tr> <td>Share of loss</td> <td style="text-align: right;">2 775</td> <td style="text-align: right;">925</td> <td style="text-align: right;">10 635</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>17 775</u></td> <td style="text-align: right;"><u>26 475</u></td> <td></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">3 955</td> <td style="text-align: right;">10 635</td> <td style="text-align: right;"><u>26 475</u></td> </tr> </tbody> </table> <p style="text-align: right;"><b>(1)OF</b></p> <p style="text-align: right;"><b>(1)OF</b></p> <p style="text-align: right;"><b>(1)OF</b></p> <p>* Drawings/salaries both must be correct for 1 mark.</p>		\$	\$	\$		Carlos	Erika	Erika	Balance b/d	15 000	250		Drawings	–	25 000 *	840	Interest on drawings		300	15 000 *	Share of loss	2 775	925	10 635		<u>17 775</u>	<u>26 475</u>		Balance b/d	3 955	10 635	<u>26 475</u>	<b>5</b>
	\$	\$	\$																															
	Carlos	Erika	Erika																															
Balance b/d	15 000	250																																
Drawings	–	25 000 *	840																															
Interest on drawings		300	15 000 *																															
Share of loss	2 775	925	10 635																															
	<u>17 775</u>	<u>26 475</u>																																
Balance b/d	3 955	10 635	<u>26 475</u>																															
1(d)(i)	$\left(\frac{46}{365} \cdot \$385\,000\right) (1) = \$48\,521 (1)$	<b>4</b>																																
1(d)(ii)	$\left(\frac{36}{365} \cdot \$172\,000\right) (1) = \$16\,964 (1)$																																	

Question	Answer	Marks
1(e)	<p>Positive working capital. <b>(1)</b></p> <p>The trade receivables collection period has deteriorated from 31 days to 46 days which could increase the possibility of bad debts. <b>(1)</b></p> <p>The trade payables payment period has decreased by 3 days suggesting that creditors are being paid faster than they need to be or less credit has been extended by suppliers. <b>(1)</b></p> <p>Cash flow problems may result. <b>(1)</b></p> <p>The above may have led to the increased bank overdraft and associated bank interest. <b>(1)</b></p> <p>There may be less effective credit control in place/may not be carrying out adequate credit referencing checks on new customers. <b>(1)</b></p> <p><b>Max 4 marks</b></p>	<b>4</b>
1(f)	<p>The partners could reduce their salaries. <b>(1)</b></p> <p>The partners could reduce their drawings. <b>(1)</b></p> <p>Additional capital could be introduced by the existing partners. <b>(1)</b></p> <p>A new partner, or partners, could be admitted to the partnership. <b>(1)</b></p> <p>A loan could be negotiated. <b>(1)</b></p> <p>The partnership could dispose of surplus/unused non-current assets. <b>(1)</b></p> <p><b>Max 3 marks</b> <b>Accept other valid points</b></p>	<b>3</b>

Question	Answer	Marks
1(g)	<p><b>Remaining as a partnership</b></p> <p>Disadvantages:</p> <p>The partners usually have unlimited liability</p> <p>Profits need to be shared with other partners</p> <p>There is the possibility of disputes between the partners</p> <p>Decisions made by one partner are legally binding on the others</p> <p>Partnership will need to be dissolved if partner dies</p> <p><b>1 mark per valid point</b></p> <p><b>Max 2 marks</b></p> <p><b>Becoming a limited company</b></p> <p>Disadvantages:</p> <p>Potential loss of control as additional shareholders invest</p> <p>There will be costs associated with setting up the company</p> <p>More detailed financial information</p> <p>Available for public scrutiny</p> <p><b>1 mark per valid point</b></p> <p><b>Max 2 marks</b></p> <p><b>1 for decision</b></p> <p><b>Accept other valid points</b></p>	5



Question	Answer	Marks																														
2(a)	<p>Trading section of Income Statement for year ended 31 January 2016</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">\$</td> </tr> <tr> <td>Revenue</td> <td style="text-align: right;">248 758</td> </tr> <tr> <td>Less: Returns inwards</td> <td style="text-align: right;"><u>(6 250)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">242 508 (1)</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Purchases (bal fig)</td> <td style="text-align: right;">190 872 (1)OF</td> </tr> <tr> <td>Add: Carriage inwards</td> <td style="text-align: right;"><u>12 371 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">203 243</td> </tr> <tr> <td>Less: Returns outwards</td> <td style="text-align: right;"><u>(11 875)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">191 368</td> </tr> <tr> <td>Less: Goods for own use</td> <td style="text-align: right;"><u>(2 246) (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">189 122</td> </tr> <tr> <td>Less: Closing inventory</td> <td style="text-align: right;"><u>(27 450) (1)</u></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">161 672</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;"><u>80 836 (1)OF</u></td> </tr> </table>		\$	Revenue	248 758	Less: Returns inwards	<u>(6 250)</u>		242 508 (1)			Purchases (bal fig)	190 872 (1)OF	Add: Carriage inwards	<u>12 371 (1)</u>		203 243	Less: Returns outwards	<u>(11 875)</u>		191 368	Less: Goods for own use	<u>(2 246) (1)</u>		189 122	Less: Closing inventory	<u>(27 450) (1)</u>	Cost of sales	161 672	Gross profit	<u>80 836 (1)OF</u>	<b>6</b>
	\$																															
Revenue	248 758																															
Less: Returns inwards	<u>(6 250)</u>																															
	242 508 (1)																															
Purchases (bal fig)	190 872 (1)OF																															
Add: Carriage inwards	<u>12 371 (1)</u>																															
	203 243																															
Less: Returns outwards	<u>(11 875)</u>																															
	191 368																															
Less: Goods for own use	<u>(2 246) (1)</u>																															
	189 122																															
Less: Closing inventory	<u>(27 450) (1)</u>																															
Cost of sales	161 672																															
Gross profit	<u>80 836 (1)OF</u>																															
2(b)	<p>Control accounts help to reduce fraud (1) as a result of segregation of duties (1).</p> <p>Control accounts check the arithmetical accuracy of the ledgers/help in locating errors (1) but not all errors are identified (1).</p> <p>Control accounts can provide total trade receivables/trade payables amounts quickly (1) assisting in the preparation of financial statements (1).</p> <p><b>1 mark for identification and 1 mark for development for each advantage</b> <b>Max 2 marks</b></p>	<b>4</b>																														

Question	Answer	Marks																						
2(c)	Revenue decreases by \$3600 (1) Inventory increases by \$2400 (1) Profit decreases by \$1200 (1) + \$572 (1) + \$2448 (1) = \$4220 Trade receivables decrease by \$3600 (1) + \$572 (1) + \$2448 (1) = \$6620 <b>Max 5 marks</b>	5																						
3(a)	The bookkeeper does not know where to post an entry. (1) In order to prepare draft financial statements. (1)	2																						
3(b)	Error of omission Error of commission Error of principle Compensating error Error of original entry Error of reversal <b>1 mark for each type of error – Max 4 marks</b>	4																						
3(c)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">Suspense account</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">\$ 3 300 (1)</td> </tr> <tr> <td>Purchases returns</td> <td style="text-align: right;">960 (1)</td> </tr> <tr> <td>Returns inwards</td> <td style="text-align: right;">960 (1)</td> </tr> <tr> <td>Sales ledger control account</td> <td style="text-align: right;">27 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">5 247</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">Opening balance</td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 4 797 (1) <b>OF</b></td> </tr> <tr> <td></td> <td style="text-align: right;">Telephone</td> </tr> <tr> <td></td> <td style="text-align: right;">450 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">5 247</td> </tr> </table>		Suspense account	Bank	\$ 3 300 (1)	Purchases returns	960 (1)	Returns inwards	960 (1)	Sales ledger control account	27 (1)		5 247		Opening balance		\$ 4 797 (1) <b>OF</b>		Telephone		450 (1)		5 247	6
	Suspense account																							
Bank	\$ 3 300 (1)																							
Purchases returns	960 (1)																							
Returns inwards	960 (1)																							
Sales ledger control account	27 (1)																							
	5 247																							
	Opening balance																							
	\$ 4 797 (1) <b>OF</b>																							
	Telephone																							
	450 (1)																							
	5 247																							

Question	Answer	Marks
3(d)	<p>Helps future planning/targets/goals (1)            Decision making (1)            Able to assess performance/comparisons (1)            Valuation of assets, liabilities and capital (1)            For tax purposes (1)            To present to bank for additional finance (1)</p> <p><b>Accept other valid points.</b></p> <p><b>Max 3 marks</b></p>	3
4(a)	$\$3.60 \cdot 45\% = \$1.62$ (1) · 2000 units = \$3240 · 4 weeks = \$12 960 (1)	2
4(b)	$2000 + (2000 \cdot 150\%) = 5000$ (1) × 4 weeks = 20 000 units (1)	2
4(c)	<p style="text-align: right;">\$</p> <p>Selling price (<math>\\$3.60 \cdot 80\%</math>)                      2.88 (1)            Variable cost (<math>\\$3.60 \cdot 55\%</math>)                      <u>1.98</u> (1)            Contribution per unit                                  0.90 (1)</p> <p>Total contribution (<math>20\,000 \cdot 0.90</math>)                      18 000 (1)OF            Additional fixed costs                                  <u>(6 000)</u> (1)            Profit    <u>12 000</u> (1)OF</p> <p>Additional loss (<math>12\,960 - 12\,000</math>)                      960 (1)OF</p>	7
4(d)	<p>Required contribution                      12 960 + 6 000                      \$18 960 (1)            Required sales volume                      18 960 / 0.90                      21 067 units (1)            Weekly sales volume                      21 067 / 4                      5 267 units (1)            % increase required                      <math>(5\,267 / 2\,000) \cdot 100</math>                      263% (1)</p>	4

Question	Answer	Marks
4(e)	<p>Based on directors' forecasts, incremental loss \$960 <b>(1)(OF)</b>.</p> <p>The required increase of \$960 is only slightly higher than the directors' expectations. <b>(1)</b></p> <p>Positive contribution made <b>(1)(OF)</b>.</p> <p>How accurate are the directors' forecasts of sales/additional costs? <b>(1)</b></p> <p>The promotion may have a positive/negative impact on the company's other products. <b>(1)</b></p> <p>Have the directors considered the reaction of employees to the promotion? <b>(1)</b></p> <p>Have the directors considered the reaction of competitors? <b>(1)</b></p> <p>Does the company have the spare capacity to service the promotion? <b>(1)</b></p> <p><b>Accept other valid points.</b></p> <p><b>Advice (1)</b></p> <p><b>Financial factors – Max 3 marks</b></p> <p><b>Non-financial factors – Max 3 marks</b></p>	<b>5</b>
4(f)	Used to determine the effect that changes in costs and volume <b>(1)</b> will have on the company's operating income and net income <b>(1)</b> .	<b>2</b>

Question	Answer	Marks
4(g)	<p>Sales price <b>per unit</b> is constant <b>(1)</b></p> <p><b>Total</b> fixed costs are constant <b>(1)</b></p> <p>Variable cost <b>per unit</b> is constant <b>(1)</b></p> <p>All production is sold <b>(1)</b></p> <p>If the company sells more than one product, the product mix remains constant <b>(1)</b></p> <p>Costs are only affected as a result of changes in activity <b>(1)</b></p> <p><b>Max 4 marks</b></p>	<b>4</b>
4(h)(i)	$\frac{445\,000}{26\,400} = \$16.86 \text{ (1) per labour hour (1)}$	<b>2</b>
4(h)(ii)	<p>Based on budgeted data <b>(1)</b> which may lead to inaccurate absorption rates <b>(1)</b></p> <p>Can artificially inflate profits <b>(1)</b> when there are changes in inventory values <b>(1)</b></p> <p>Not useful for short-term decision making <b>(1)</b> as each unit of production includes fixed costs which remain the same <b>(1)</b></p> <p>Not useful as a basis for responsibility accounting <b>(1)</b> as fixed costs are out of control of managers <b>(1)</b></p> <p><b>Accept other valid points.</b></p> <p><b>1 mark for identification and 1 mark for development</b></p> <p><b>Max 2 marks</b></p>	<b>2</b>