

Cambridge
International
AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ACCOUNTING**9706/21**

Paper 2 Structured Questions

October/November 2019

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 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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.

<p>GENERIC MARKING PRINCIPLE 1:</p> <p>Marks must be awarded in line with:</p> <ul style="list-style-type: none"> 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.
<p>GENERIC MARKING PRINCIPLE 2:</p> <p>Marks awarded are always whole marks (not half marks, or other fractions).</p>
<p>GENERIC MARKING PRINCIPLE 3:</p> <p>Marks must be awarded positively:</p> <ul style="list-style-type: none"> 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.
<p>GENERIC MARKING PRINCIPLE 4:</p> <p>Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.</p>

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 style="text-align: center;">AB Limited Income statement for the year ended 31 December 2018 \$</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Revenue</td> <td style="width: 50%; text-align: right;">W1 662 100 (1)</td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">W2 (306 300) (2)</td> </tr> <tr> <td>Gross profit for the year</td> <td style="text-align: right;"><u>355 800</u></td> </tr> <tr> <td>Administrative expenses</td> <td style="text-align: right;">W3 (117 000) (3)</td> </tr> <tr> <td>Distribution costs</td> <td style="text-align: right;">W4 (195 600) (3)</td> </tr> <tr> <td>Profit from operations</td> <td style="text-align: right;"><u>43 200</u></td> </tr> <tr> <td>Finance costs (2 200 + 4 000)</td> <td style="text-align: right;"><u>(6 200) (1)</u></td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;"><u>37 000</u></td> </tr> </table> <p>Workings</p> <p>W1 Revenue 670 400 – 8 300 = 662 100 (1)</p> <p>W2 Cost of sales 56 500 + 310 600 + 12 000 (1) – 62 000 = 306 300 (1) OF</p> <p>W3 Administrative expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Per balances</td> <td style="width: 50%; text-align: right;">111 700</td> </tr> <tr> <td>Buildings depreciation (80 000 × 2% × 25%)</td> <td style="text-align: right;">400 (1)</td> </tr> <tr> <td>Provision for doubtful debts ((92 400 – 400 – 2 000) × 5%)</td> <td style="text-align: right;">4 500 (1)</td> </tr> <tr> <td>Irrecoverable debt written off</td> <td style="text-align: right;"><u>400 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>117 000</u></td> </tr> </table> <p>W4 Distribution costs</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Per balances</td> <td style="width: 50%; text-align: right;">184 800</td> </tr> <tr> <td>Buildings depreciation (80 000 × 2% × 75%)</td> <td style="text-align: right;">1 200 (1)</td> </tr> <tr> <td>Warehouse F & F depreciation ((12 900 – 8 900) × 10%)</td> <td style="text-align: right;">400 (1)</td> </tr> <tr> <td>Motor vehicles depreciation (46 000 × 20%)</td> <td style="text-align: right;"><u>9 200 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>195 600</u></td> </tr> </table>	Revenue	W1 662 100 (1)	Cost of sales	W2 (306 300) (2)	Gross profit for the year	<u>355 800</u>	Administrative expenses	W3 (117 000) (3)	Distribution costs	W4 (195 600) (3)	Profit from operations	<u>43 200</u>	Finance costs (2 200 + 4 000)	<u>(6 200) (1)</u>	Profit for the year	<u>37 000</u>	Per balances	111 700	Buildings depreciation (80 000 × 2% × 25%)	400 (1)	Provision for doubtful debts ((92 400 – 400 – 2 000) × 5%)	4 500 (1)	Irrecoverable debt written off	<u>400 (1)</u>		<u>117 000</u>	Per balances	184 800	Buildings depreciation (80 000 × 2% × 75%)	1 200 (1)	Warehouse F & F depreciation ((12 900 – 8 900) × 10%)	400 (1)	Motor vehicles depreciation (46 000 × 20%)	<u>9 200 (1)</u>		<u>195 600</u>	10
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1(c)	<p>Rights issue (max 2) Payment of dividends is discretionary (1) Permanent capital (1) Will rights issue be fully subscribed (1)</p> <p>Debenture (max 2) Would increase (non-current) liabilities (1) Debenture interest must be paid (1) Security maybe required (1)</p> <p>Advice (1) Accept other valid points.</p>	5
1(d)	<p>Shareholders (1) Directors/employees (1) Accept other valid points.</p>	2
1(e)(i)	<p>Gross margin (1) Profit margin (1) Return on capital employed (1) Expenses to revenue ratio (1) Max 2</p>	2

Question	Answer	Marks
1(e)(ii)	Current ratio (1) Liquid (acid test) ratio (1)	2

Question	Answer	Marks																		
2(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: right;">Cash book</td> <td></td> </tr> <tr> <td>Smith</td> <td style="text-align: right;">\$ 3 500 (1)</td> <td style="text-align: right;">Balance b/d 4 327</td> </tr> <tr> <td>Standing order error</td> <td style="text-align: right;">100 (1)</td> <td style="text-align: right;">Wages 850 (1)</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>1 727</u></td> <td style="text-align: right;">Interest error 150 (1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>5 327</u></td> <td style="text-align: right;"><u>5 327</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Balance b/d * 1 727 (1) OF</td> </tr> </table>		Cash book		Smith	\$ 3 500 (1)	Balance b/d 4 327	Standing order error	100 (1)	Wages 850 (1)	Balance c/d	<u>1 727</u>	Interest error 150 (1)		<u>5 327</u>	<u>5 327</u>			Balance b/d * 1 727 (1) OF	5
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2(c)	<p>To identify errors in the cash book (1)</p> <p>To identify errors on the bank statement (1)</p> <p>To identify uncleared lodgements (1)</p> <p>To identify unpresented cheques (1)</p> <p>To verify accuracy of accounting records (1)</p> <p>To update the cash book with transactions only on the bank statement (1)</p> <p>To identify out of date cheques (1)</p> <p>Accept other valid points.</p> <p>Max 2</p>	2										
2(d)	<p>Adjusted profit for the year</p> <table style="margin-left: 40px;"> <tr> <td>Draft profit</td> <td style="text-align: right;">10 340</td> </tr> <tr> <td>Damaged inventory (800 – (900 – 150))</td> <td style="text-align: right;">(50) (1)</td> </tr> <tr> <td>Goods on sale or return (2800-2000)</td> <td style="text-align: right;">(800) (1)</td> </tr> <tr> <td>Accrued rental</td> <td style="text-align: right;">(1 200) (1)</td> </tr> <tr> <td>Revised profit</td> <td style="text-align: right;"><u>8 290</u> (1) OF</td> </tr> </table>	Draft profit	10 340	Damaged inventory (800 – (900 – 150))	(50) (1)	Goods on sale or return (2800-2000)	(800) (1)	Accrued rental	(1 200) (1)	Revised profit	<u>8 290</u> (1) OF	4
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3(a)	$\$152\,000 - \$76\,000 - \$4\,000 = \$72\,000$ (1)	1										
3(b)	$\frac{72\,000}{3} = \$24\,000$ (1) OF	1										



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3(e)	<p>To reward partners for their fixed investment in the business (1) To encourage further capital investment in the business (1)</p> <p>Accept other valid points.</p>	2																																												
3(f)	<p>To discourage large amounts of drawings by the partners (1) To penalise partners who make excessive drawings (1)</p> <p>Accept other valid points.</p>	2																																												

Question	Answer	Marks
3(g)	<p>The amount of salary payable to partners (1)</p> <p>Rate of interest on partners' loans (1)</p> <p>Management responsibilities of partners (1)</p> <p>Any limits on partners' drawings (1)</p> <p>Amount of partners' capital (1)</p> <p>Accept other valid points.</p> <p>Max 2</p>	2

Question	Answer	Marks
4(a)	<p>Enables selling prices to be set, because all costs are included in the pricing of a product. (1)</p> <p>Supports long-term planning, because this depends on revenue. It must cover not just direct costs but overhead costs as well. (1)</p> <p>Absorption costing conforms to the accruals concept, because the total cost of unsold inventory is charged to the period in which it is sold. (1)</p> <p>Accept other valid points.</p> <p>Max 3</p>	3

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