Cambridge Assessment

ACCOUNTING

Paper 3 Structured Questions MARK SCHEME Maximum Mark: 150

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 2020 series for most Cambridge IGCSE<sup>™</sup>, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **11** printed pages.

9706/32

**October/November 2020** 



## **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)	It completes the double entry (1) as the factory profit is a debit in the manufacturing account and a credit in the income statement (1).				
	It enables the income statement to show the profit of the whole business (1) from both manufacturing and trading/selling (1).				
	The increase in profit in the profit and loss section of the income statement (1) cancels the increase in cost in the trading account (1).				
	Accept other valid answers.				
	Any <b>two</b> reasons up to (1+1) each Max 4				
1(b)(i)	140 000 (- 30 000 + 42 000) <b>(1)</b> + 10 000 <b>(1)</b> = \$162 000 <b>(1)OF</b> to include base figure)	3			
1(b)(ii)	162 000 × 20% = \$32 400 (1)OF	1			
1(c)(i)	Provision for unrealised profit account	3			
	\$ \$ 2019 2019 Dec 31 Income 2000 <b>(1)OF</b> Jan 1 Balance b/d 6000 <b>(1)</b> statement				
	Balance c/d <u>4000</u> (1) <u>6000</u> 2020				
	Jan 1 Balance b/d 4000				
1(c)(ii)	FG Limited Income statement for the year ended 31 December 2019 \$ \$	9			
	Revenue 320 800				
	Inventory 1 January 2019         36 000           Transfer price <u>194 400</u> 230 400				
	Inventory 31 December 2019         24 000         (1)           Cost of sales         206 400				
	Gross profit 114 400 (1)OF				
	Factory profit32 400 (1)OFChange in provision for unrealised profit2 000 (1)OF				
	Distribution costs42 700 (1)Administrative expenses61 900 W1Profit for the year104 60044 200 (1)OF				
	<b>W1</b> 78 900 (+ 12 000 – 24 000) <b>(1)</b> – 5000 <b>(1)</b> = 61 900				

Question	Answer	Marks
1(d)	Using a transfer price may compare with the cost of buying from an external supplier (1).	5
	Using a transfer price may be used to assess departmental performance (1).	
	Using a transfer price may assist in calculating pay or bonuses (1).	
	Setting the rate of factory profit may be subjective (1).	
	Factory profit does not alter the total profit for the year (1).	
	Aids setting of selling price (1).	
	Accept other valid points	
	Max (4) for comments plus (1) for decision.	

Question	Answer				Marks
2(a)	RF plc Statement of cash flows for the year ended 3' Profit from operations (15 + 4) Depreciation – plant and machinery – motor vehicles Profit on disposal of motor vehicle Increase in inventory Increase in trade receivables Decrease in trade payables Cash from operations Interest paid Net cash from operating activities Cash flow from investing activities Purchase of non-current assets Proceeds of sale of motor vehicle Net cash used in investing activities Cash flow from financing activities Proceeds from issue of shares Dividend paid Proceeds from new loan Net cash from financing activities Net increase in cash and cash equivalents Cash and cash equivalents on 31 December 2018	1 Decem \$000 (38) <u>15</u> 36 (8) <u>5</u>	\$000 19 12 10 (3) (17) (3) <u>(6)</u> 12 <u>(5)</u> 7 (23) <u>33</u> 17 <u>(7)</u>	(1) (1) (1) (1) (1) (1) (1) (1) (1) (1)	19
2(b)	Cash and cash equivalents on 31 December 2019 In a statement of cash flows the amount of the share par value to show total proceeds (1) whereas in the recorded separately from the par value (1) in a separ share premium account (1).	books of	n is ado accour	nt it is	3



Question	Answer	Marks
2(c)	It may be a legal requirement (1)	3
	To comply with IAS7 (1)	
	To explain why profit is not equal to increases or decreases in cash (1)	
	To concentrate attention on cash flows (1)	
	To show the extent to which the business relies on internal and external financing <b>(1)</b>	
	To allow for comparisons with other businesses or previous years (1)	
	To give more information than that which is given in the income statement and statement of financial position (1)	
	To assist for loan application (1)	
	Accept other valid points	
	Max 3	

Question		Answer			Marks
3(a)	Purchased goo	Purchased goodwill (1)			2
	Patents (1)	Patents (1)			
	Trademarks (1	)			
	Franchises (1)				
	Copyrights (1)				
	Accept other	valid points			
	Max 2	·			
3(b)(i)		Capital accou	unt – Babak	•	3
	Vehicle Balance c/d	\$ 800 (1)	Balance b/d	\$ 24 800 <b>(1)</b>	
	Balance C/u	<u>24 000</u> (1)OF 24 800	Balance b/d	24 800 24 000	
3(b)(ii)	Capital account – Alice \$			6	
	Inventory Balance c/d	400 <b>(1)</b> 48 000 <b>(1)OF</b>	Balance b/d Premises Vehicle Bank	30 600 (1) 14 000 (1) 2 000 (1) 1 800 (1)OF	
		48 400	Balance b/d	<u>1800</u> <u>48400</u> 48000	

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## October/November 2020

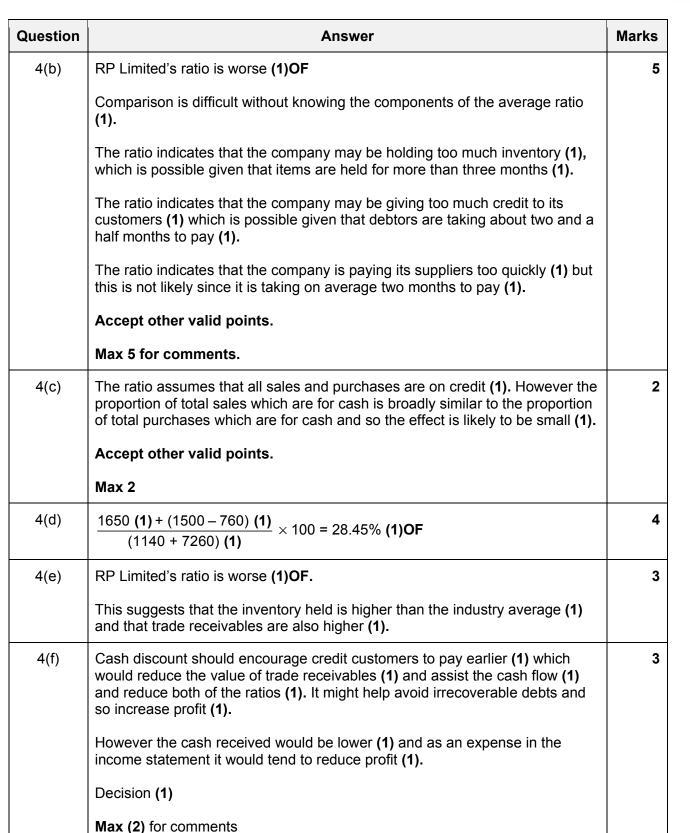
Question		Answer		Marks
3(c)	Alice a Statement of financia	and Babak I position at 1Janu \$	ary 2020 \$	9
	Non-current assets	Ψ	Ψ	
	Intangible asset		200 <b>(1)</b>	
	Tangible assets			
	Premises	32 000 }		
	Equipment	16 300 <b>}(1)</b>		
	Vehicles 4 400 (1) + 2 000 (1)	6 400	54 700	
			54 900	
	Current assets	7000 (4)		
	Inventory Trade receivables	7 200 (1)		
	Bank	4 400 <b>(1)</b> 7 600 <b>(1)OF</b>	19 200	
	Total assets		74 100	
			11100	
	Capital – Alice		48 000 <b>}(1)OF</b>	
	Babak		<u>24 000</u> }	
			72 000	
	Current liabilities			
	Trade payables		<u>2 100</u> (1)	
	Total capital and liabilities		74 100	



Question	Answer	Marks
3(d)	Advantages	5
	Calculations would be done instantly, and time would be saved. (1)	
	Calculations would be accurate. (1)	
	Security could be organised (passwords etc.). (1)	
	Documents such as invoices could be produced automatically. (1)	
	Reports and accounts could be generated automatically. (1)	
	Accept other valid points	
	Disadvantages	
	It would require expenditure on hardware. (1)	
	It would require expenditure on software/other set up costs. (1)	
	The partners would have to take time to familiarise themselves with the system/training would be needed. (1)	
	The opening balances would have to be transferred to the new system. (1)	
	Accounts would have to be backed up. (1)	
	There could be inputting errors. (1)	
	Accept other valid points	
	Decision (1)	
	(1) mark for decision Max (2) marks for advantages Max (2) for disadvantages	

Question	Answer	Marks
4(a)	Trade receivables turnover = $\frac{1500}{7260}$ × 365 = 76 days (1)OF	8
	Trade payables turnover = $\frac{760}{4670}$ (1) × 365 = 60 days (1)OF	
	Inventory turnover = $\frac{1400}{4800}$ (1) × 365 = 107 days (1)OF	
	Working capital cycle = (107 + 76 – 60) ((1)OF all three) = 123 days (1)OF	

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Question

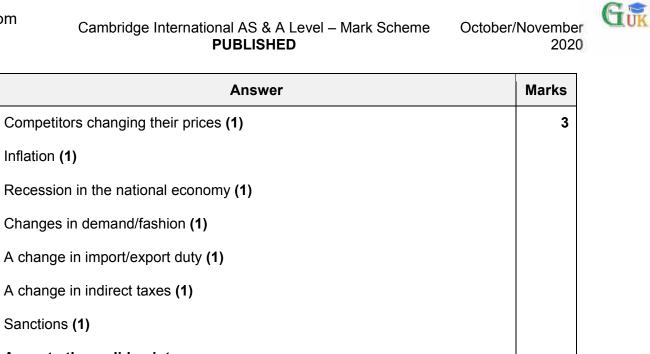
5(a)

Inflation (1)

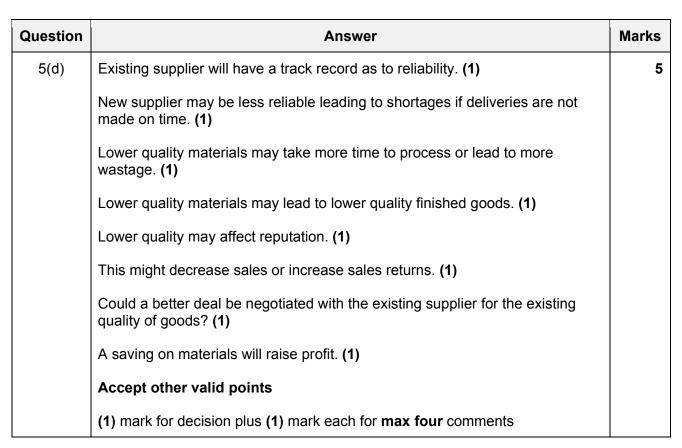
8

7

2



	Sanctions (1)				
	Accept other valid points.				
	Max 3.				
5(b)	sales closing inventory opening inventory production	period 1 units 6000 <u>1400</u> 7400 ( <u>1500</u> ) <b>(1)</b> <u>5900</u> <b>(1)OF</b>	period 2 units 5600 <u>1600</u> 7200 ( <u>1400</u> ) (1) <u>5800</u> (1)O	period 3 units 6400 (1)ro <u>1800</u> (1) 8200 ( <u>1600</u> ) (1) F <u>6600</u> (1)OF	
5(c)(i)	production closing inventory opening inventory purchases	period 1 kilos 29 500 <u>14 500</u> (1)OF 44 000 ( <u>14 750</u> ) (1)OF 29 250 (1)OF	period 2 kilos 29 000 (1)O <u>16 500</u> (1)O 45 500 ( <u>14 500</u> ) (1)O 31 000 (1)O	F	
5(c)(ii)	purchases	period 1 \$ <u>292 500</u> <b>(1)OF</b>	period 2 \$ <u>310 000</u> <b>(1)O</b>	F	



Question	Answer	Marks
6(a)(i)	28 000 (1) $-\frac{22800}{6}$ = 24 200 kilos (1)OF	
6(a)(ii)	36300 <b>}(1)OF</b> 24200 <b>}</b> + 6 (1) = \$7.50 per kilo (1)OF	3
6(a)(iii)	Labour rate variance = 21 280 (1) A (1)	2
6(a)(iv)	Labour efficiency variance= 28 000 (1) F (1)	2
6(a)(v)	\$         sales       1 456 000 (1)         direct material       181 500 (1)OF         direct labour       553 280 (1)         fixed overheads       200 000 (1)         profit       521 220 (1)OF	5
6(b)	profit from flexed budget\$sales price variance56 000 (1)materials price variance(36 300) }materials usage variance22 800 } (1)labour rate variance(21 280) (1)OFlabour efficiency variance28 000 (1)OFFO expenditure variance10 000 }FO volume variance(14 000) } (1)OFactual profit521 220 (1)OF	6

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Question	Answer	Marks
6(c)	fixed overhead capacity variance (1) fixed overhead efficiency variance (1)	2
6(d)(i)	price of materials increased / bought a higher grade of materials /expensive supplier (1)	1
	Accept other reasonable answers	
6(d)(ii)	used less material / had lower rate of wastage / improved quality (1)	1
	Accept other reasonable answers	