



## Cambridge International AS & A Level

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**ACCOUNTING**

**9706/21**

Paper 2 Structured Questions

**May/June 2021**

MARK SCHEME

Maximum Mark: 90

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**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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This document consists of **15** printed pages.

**PUBLISHED****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.

**PUBLISHED****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).

**PUBLISHED****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.

Question	Answer	Marks																											
1(a)	May not have the skills/time to prepare full accounting records <b>(1)</b> Maybe content with the information provided by her current accounting records <b>(1)</b> Maybe cannot afford the services of a bookkeeper/accountant or accounting software <b>(1)</b> Maybe business too small to warrant full accounting records <b>(1)</b>  <b>Max 2</b> <b>Accept other valid responses.</b>	<b>2</b>																											
1(b)	Matching requires costs and revenues to be matched for a financial period <b>(1)</b> irrespective of amounts received or paid <b>(1)</b> .  Prudence requires losses to be realised as soon as they are anticipated <b>(1)</b> to avoid profits and assets being overstated/losses and liabilities being understated <b>(1)</b> .	<b>4</b>																											
1(c)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 25%;"></th> </tr> </thead> <tbody> <tr> <td>Closing balance of trade payables</td> <td style="text-align: right;">4 560</td> <td rowspan="4" style="font-size: 3em; vertical-align: middle;">} <b>(1)</b></td> </tr> <tr> <td>Less opening balance of trade payables</td> <td style="text-align: right;">(3 970)</td> </tr> <tr> <td></td> <td style="text-align: right;">590</td> </tr> <tr> <td>Add payments to trade payables</td> <td style="text-align: right;">46 800</td> </tr> <tr> <td>discounts received</td> <td style="text-align: right;">1 200</td> <td><b>(1)</b></td> </tr> <tr> <td>purchases returns</td> <td style="text-align: right;">1 280</td> <td><b>(1)</b></td> </tr> <tr> <td>Credit purchases</td> <td style="text-align: right;">49 870</td> <td></td> </tr> <tr> <td>Add cash purchases</td> <td style="text-align: right;">1 320</td> <td><b>(1)</b></td> </tr> <tr> <td><b>Total purchases</b></td> <td style="text-align: right;"><b>51 190</b></td> <td><b>(1)OF</b></td> </tr> </tbody> </table>		\$		Closing balance of trade payables	4 560	} <b>(1)</b>	Less opening balance of trade payables	(3 970)		590	Add payments to trade payables	46 800	discounts received	1 200	<b>(1)</b>	purchases returns	1 280	<b>(1)</b>	Credit purchases	49 870		Add cash purchases	1 320	<b>(1)</b>	<b>Total purchases</b>	<b>51 190</b>	<b>(1)OF</b>	<b>5</b>
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Question	Answer	Marks																																			
1(c)	<p><b>Alternative presentation</b></p> <p style="text-align: center;">Purchases ledger control account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 10%; border-left: 1px solid black;"></td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 30%;"></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">46 800</td> <td style="border-left: 1px solid black;"></td> <td>Balance b/d</td> <td style="text-align: right;">3 970</td> </tr> <tr> <td>Discounts received</td> <td style="text-align: right;">1 200 <b>(1)</b></td> <td style="border-left: 1px solid black;"></td> <td>Purchases</td> <td style="text-align: right;">49 870 <b>(3)OF</b></td> </tr> <tr> <td>Purchases returns</td> <td style="text-align: right;">1 280 <b>(1)</b></td> <td style="border-left: 1px solid black;"></td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">4 560</td> <td style="border-left: 1px solid black;"></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">53 840</td> <td style="border-left: 1px solid black;"></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">53 840</td> </tr> <tr> <td></td> <td></td> <td style="border-left: 1px solid black;"></td> <td>Balance b/d</td> <td style="text-align: right; border-top: 1px solid black;">4 560</td> </tr> </table> <p>Total purchases = credit purchases \$49 870 <b>(3)OF</b> + cash purchases \$1 320 <b>(1)</b> = \$51 190 <b>(1) OF</b></p>		\$		\$		Bank	46 800		Balance b/d	3 970	Discounts received	1 200 <b>(1)</b>		Purchases	49 870 <b>(3)OF</b>	Purchases returns	1 280 <b>(1)</b>				Balance c/d	4 560					53 840			53 840				Balance b/d	4 560	
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Question	Answer				Marks
1(d)	Suyin Income statement for the year ended 31 July 2020				<b>10</b>
		\$	\$		
	Revenue		96 000		
	Less: Opening inventory	11 440			
	Purchases	51 190			
	Purchases returns	(1 280)		<b>(1)</b>	
		61 350			
	Carriage inwards	610		<b>(1)</b>	
		61 960			
	Closing inventory	(18 720)			
	Cost of sales		43 240		
	Gross profit		52 760	<b>(1)OF</b>	
	Add discounts received		1 200	<b>(1)OF</b>	
	Profit on disposal of equipment		60	<b>(1)</b>	
			54 020		
Less expenses					
Shop rent	3 070		<b>(1)</b>		
General expenses	16 810				

Question	Answer				Marks
1(d)	Insurance	3 240		<b>(1)</b>	
	Wages	15 430			
	Depreciation of fittings and equipment <b>W1</b>	2 150		<b>(2)OF</b>	
			40 700		
	Profit for the year		13 320	<b>(1)OF</b>	
<b>W1</b> \$18 500 – \$490 <b>(1)</b> – \$15 860 = \$2 150 <b>(1)OF</b>					
1(e)	Gross profit [Revenue (\$96 000 (OF) × 110%) × 60%]	63 360		<b>(1)OF</b>	<b>4</b>
	Existing expenses (OF)	(40 700)			
	Increase in rent	(6 140)		<b>(1)OF</b>	
	Interest on bank loan (8% × \$16 000)	(1 280)		<b>(1)</b>	
	Profit per annum	15 240		<b>(1)OF</b>	
<b>Accept alternative presentations.</b>					

Question	Answer	Marks
1(f)	<p>Profits will increase (by \$1920) <b>(1)OF</b>            The increase in profit is quite small <b>(1)OF</b>            Will request for bank loan be granted? <b>(1)</b>            Will the forecasts prove to be accurate? <b>(1)</b>            Does Suyin have the collateral to provide security for a bank loan? <b>(1)</b>            Will liquidity be seriously affected by the loan repayments? <b>(1)</b>                Increase footfall in busier location <b>(1)</b>                Will there be any unforeseen costs <b>(1)</b></p> <p><b>Advice (1)</b></p> <p><b>Accept other valid responses.</b></p>	<b>5</b>

Question	Answer	Marks
2(a)	<p>Partners may want separate capital accounts to:            Show the permanent investment <b>(1)</b>            Show the impact of any changes in capital <b>(1)</b> (e.g. goodwill, capital introduced, revaluations)            Facilitate the calculation of interest on capital <b>(1)</b></p> <p>Partners may want separate current accounts to:            Show the ongoing transactions between the partners and the partnership <b>(1)</b>            Show the amount of drawings compared with the share of profit <b>(1)</b>            Identify partners making excessive drawings <b>(1)</b>            Facilitate the calculation of interest on drawings <b>(1)</b></p> <p><b>Max 2</b>  <b>Accept other valid responses.</b></p>	<b>2</b>

Question	Answer								Marks
2(b)	Capital accounts								<b>8</b>
		Karis	Lara	Megan		Karis	Lara	Megan	
		\$	\$	\$		\$	\$	\$	
	Motor vehicles	15 000 (1)			Bal b/d	35 700	24 500		
	Current account		540 (1)		Current a/c	3 110			
	Goodwill	22 400	16 000	9 600 (1 Row)	Goodwill	28 800	19 200	(1)Row	
	Loss on revaluation	2 040	1 360	(1)OF Row	Motor vehicle			23 000 (1)	
	Bal c/d	28 170	25 800	25 800	Bank			12 400 (1)OF	
		67 610	43 700	35 400		67 610	43 700	35 400	
					Bal b/d	28 170	25 800	25 800 (1)OF	
2(c)	25% return on capital = $25\% \times \$25\,800 = \$6\,450$ (1)OF \$6 450 is 3/15ths of residual profit, so residual profit is \$32 250 (1)OF Minimum profit is \$32 250 + salary for \$12 000 = \$44 250 (1)OF								<b>3</b>
2(d)	Profits have to be shared (1) Decision making may take longer as there will now more partners who need to agree (1) Risk of disagreements (1)  <b>Max 2</b> <b>Accept other valid responses.</b>								<b>2</b>

Question	Answer	Marks																								
3(a)	<p>To bring the share capital more in line with the current net asset value (1) of the company by making permanent some part of revenue and capital reserves (1).</p> <p>To provide some reward for shareholders (1) where cash may be limited to pay dividends to shareholders (1).</p> <p>To avoid dividend announcements seeming excessively large (1) when based on a situation where issued shares is only a relatively small part of equity (1).</p> <p><b>Max 4 marks</b> <b>Accept other valid responses.</b></p>	<b>4</b>																								
3(b)	Number of bonus shares is $(1\,800\,000 - 1\,200\,000) \times 4$ (1) = 2 400 000 (1)OF	<b>2</b>																								
3(c)	<p>Journal</p> <table border="1" data-bbox="349 719 1055 1114"> <thead> <tr> <th></th> <th>Dr</th> <th>Cr</th> <th></th> </tr> <tr> <th></th> <th>\$000</th> <th>\$000</th> <th></th> </tr> </thead> <tbody> <tr> <td>Share premium</td> <td>220</td> <td></td> <td>(1)</td> </tr> <tr> <td>Retained earnings</td> <td>380</td> <td></td> <td>(1)</td> </tr> <tr> <td>Issued share capital</td> <td></td> <td>600</td> <td>(1)</td> </tr> <tr> <td>Being bonus issue made</td> <td></td> <td></td> <td>(1)</td> </tr> </tbody> </table>		Dr	Cr			\$000	\$000		Share premium	220		(1)	Retained earnings	380		(1)	Issued share capital		600	(1)	Being bonus issue made			(1)	<b>4</b>
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3(d)	<p>The profits available for distribution (1)</p> <p>The cash available to pay dividends (1)</p> <p>Shareholders' expectations (1)</p> <p><b>Max 3</b> <b>Accept other valid responses.</b></p>	<b>3</b>																								
3(e)	$1\,800\,000 \times 4$ shares = 7 200 000 shares (1) $\times \$0.01 = \$72\,000$ (1)OF	<b>2</b>																								

Question	Answer	Marks																												
4(a)(i)	Direct costs are those which can be identified with a product unit <b>(1)</b> .	<b>1</b>																												
4(a)(ii)	Stepped costs are fixed up to a certain level <b>(1)</b> at which point they will increase <b>(1)</b> .	<b>2</b>																												
4(b)	Margin of safety in units: Maximum/budgeted output in units – break-even point in units <b>(1)</b>	<b>1</b>																												
4(c)	A limiting factor is anything that limits the activity of a business <b>(1)</b> , such as a shortage of a resource. <b>(1)</b>	<b>2</b>																												
4(d)	Fixed costs \$112 000 + Target profit \$40 000 = \$152 000 <b>(1)</b> Contribution \$48 – (\$18 + \$25.50) = \$4.50 <b>(1)</b> = 33 778 units <b>(1)OF</b>	<b>3</b>																												
4(e)	Budgeted Marginal cost statement for December 2021  <table border="1" data-bbox="349 678 1252 1145"> <thead> <tr> <th></th> <th></th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td><math>30\,000 \times \\$48</math></td> <td style="text-align: right;">1 440 000</td> <td><b>(1)</b></td> </tr> <tr> <td>Less: Direct materials</td> <td><math>30\,000 \times 4.5\text{ m} \times \\$4</math></td> <td style="text-align: right;">(540 000)</td> <td><b>(1)</b></td> </tr> <tr> <td>Direct labour</td> <td><math>30\,000 \times 3 \times \\$8.50</math></td> <td style="text-align: right;">(765 000)</td> <td><b>(1)</b></td> </tr> <tr> <td>Contribution</td> <td></td> <td style="text-align: right;">135 000</td> <td><b>(1)OF</b></td> </tr> <tr> <td>Fixed costs</td> <td></td> <td style="text-align: right;">(112 000)</td> <td></td> </tr> <tr> <td>Profit for the month</td> <td></td> <td style="text-align: right;">23 000</td> <td><b>(1)OF</b></td> </tr> </tbody> </table> <p><b>Accept alternative presentation.</b></p>			\$		Revenue	$30\,000 \times \$48$	1 440 000	<b>(1)</b>	Less: Direct materials	$30\,000 \times 4.5\text{ m} \times \$4$	(540 000)	<b>(1)</b>	Direct labour	$30\,000 \times 3 \times \$8.50$	(765 000)	<b>(1)</b>	Contribution		135 000	<b>(1)OF</b>	Fixed costs		(112 000)		Profit for the month		23 000	<b>(1)OF</b>	<b>5</b>
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4(f)	<p><b>Proposal A</b></p> <table border="1" data-bbox="349 284 1072 742"> <thead> <tr> <th></th> <th></th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">1 539 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Less: Direct materials</td> <td><b>W1</b></td> <td style="text-align: right;">(522 450)</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Direct labour</td> <td><b>W2</b></td> <td style="text-align: right;">(849 150)</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Contribution</td> <td></td> <td style="text-align: right;">167 400</td> <td></td> </tr> <tr> <td>Fixed costs</td> <td><b>W3</b></td> <td style="text-align: right;">(113 750)</td> <td style="text-align: right;">(3)</td> </tr> <tr> <td>Profit for the month</td> <td></td> <td style="text-align: right;">53 650</td> <td style="text-align: right;">(1)OF</td> </tr> </tbody> </table> <p><b>W1</b> <math>27\,000 \times \\$19.35</math> (1) = \$522 450 (1)OF</p> <p><b>W2</b> <math>27\,000 \times \\$31.45</math> (1) = \$849 150 (1)OF</p> <p><b>W3</b> <math>\\$112\,000 + \\$500</math> (1) + <math>\\$1\,250</math> (1) = \$113 750 (1)OF</p> <p><b>Accept alternative presentation.</b></p>					\$		Revenue		1 539 000	(1)	Less: Direct materials	<b>W1</b>	(522 450)	(2)	Direct labour	<b>W2</b>	(849 150)	(2)	Contribution		167 400		Fixed costs	<b>W3</b>	(113 750)	(3)	Profit for the month		53 650	(1)OF	<b>9</b>
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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
4(g)	<p><b>Proposal A Max 3 marks</b></p> <p>For:            More profit achieved than Proposal B <b>(1)OF</b> also exceeds target per month <b>(1)OF</b>            More factory capacity is unused perhaps providing an opportunity for other profitable uses <b>(1)</b>            Increase in labour rate may motivate workforce <b>(1)</b></p> <p>Against            Will loan requested be accepted? <b>(1)</b>            Will workforce have the right skills to operate new machinery <b>(1)</b>            Will training be required? <b>(1)</b></p> <p><b>Proposal B Max 3 marks</b></p> <p>For:            More profit <b>(1)OF</b> than current situation \$26 500 <b>(1)OF</b>            Profit exceeds target per month <b>(1)OF</b></p> <p>Against:            Less profit than Proposal A <b>(1)</b>            Reduction in labour requirements (76 000 hours per month from 90 000 hours) and no increase in rate per labour hour could lead to loss of morale <b>(1)</b> redundancy payments <b>(1)</b>            Are forecast sales accurate? <b>(1)</b></p> <p><b>Advice (1)</b></p> <p><b>Accept other valid responses</b></p>	7