



## Cambridge International AS & A Level

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**ACCOUNTING**

**9706/22**

Paper 2 AS Level Structured Questions

**March 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 March 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 **12** 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.

**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).

**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																																																																														
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1(d)	Goodwill is an intangible asset which represents the reputation of the business <b>(1)</b> built up by the partnership/value of net assets compared to value of business as a whole <b>(1)</b>  <b>Max 2</b> <b>Accept other valid responses.</b>	<b>2</b>																																																																														

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1(e)	Valuing goodwill when a partner retires ensures the retiring partner receives a fair share of the extra value the business has acquired <b>(1)</b> through the efforts of that partner <b>(1)</b> .  <b>Max 2</b> <b>Accept other valid responses.</b>	<b>2</b>																					
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1(g)	<p><b>Loan</b></p> <p><b>For (Max 2)</b></p> <p>Will be a temporary source of finance (1)  Two remaining partners will share profits between themselves (1)  Can budget to cover finance repayments and interest (1)  Decision-making may be quicker as only two partners to agree (1)</p> <p><b>Against (Max 2)</b></p> <p>Annual repayments and interest charges may cause liquidity problems (1)  Profits will be reduced for each by interest charges (1)  May not be able to secure a bank loan (1)  Must be repaid. (1)  Bank may require collateral (1)</p> <p><b>Overall Max 3</b></p> <p><b>New partner</b></p> <p><b>For: (Max 2)</b></p> <p>New partner may provide new skills/ideas which will improve performance (1)  Capital is a permanent source of finance so no effect on liquidity (1)  Profits unaffected by new partner as no annual interest charges (1)</p> <p><b>Against: (Max 2)</b></p> <p>May be difficult to find a new partner (1)  A third partner may slow decision-making (1)  Profits will now be shared by three partners (1)  New partner may not get on well with original partners leading to disputes (1)</p> <p><b>Overall Max 3</b></p> <p><b>Advice (1)</b></p> <p><b>Accept other valid responses.</b></p>	7

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2(d)	<p>The revaluation method is used when a non-current asset consists of many items each of small value (1) making it impractical to calculate a depreciation charge on each item (1).</p> <p><b>Max 2</b></p> <p><b>Accept other valid responses.</b></p>	2																																						
2(e)	<p>The depreciation charge is calculated by comparing the closing valuation of the non-current asset with the opening valuation (1).</p>	1																																						



Question	Answer	Marks
3(a)(i)	Current ratio $65:36 = 1.81:1$ (1)	1
3(a)(ii)	Trade receivables turnover = $31 \times 365/324 = 35$ days (1)	1
3(a)(iii)	Profit before interest $80 + 4 = 84$ (1) / $685 = 12.26\%$ (1) <b>OF</b>	2
3(b)(i)	The company's current ratio having slightly improved has now worsened sharply (1). This could mean that it will have difficulty in meeting its obligations in the short to medium term (1).  <b>Max 2</b> <b>Accept other valid responses.</b>	2
3(b)(ii)	The company's position has improved over the three years (1). Credit customers are paying more quickly than before which will have a beneficial effect on the company's liquidity position (1).  <b>Max 2</b> <b>Accept other valid responses.</b>	2
3(b)(iii)	The company's position having slightly improved has now worsened sharply (1). The company is not using its resources effectively (1).  <b>Max 2</b> <b>Accept other valid responses.</b>	2
3(c)	Reduce dividend payments (1) Increase long-term borrowing/issue debentures (1) Issue shares (1) Selling off surplus non-current assets (1)  <b>Max 2</b> <b>Accept other valid responses.</b>	2
3(d)	Businesses may use different accounting policies (1) Historical cost is used to prepare accounts therefore may be misleading (1) There may be different year-ends/seasonal factors (1) There may be non-monetary factors to consider (1) Relative size of each business (1) The effect of window dressing (1) Maybe a different business structure/different objectives (1)  <b>Max 3</b> <b>Accept any other valid responses</b>	3

Question	Answer	Marks																																																			
4(a)	$\$216\,000 / (\$90 - \$72) (1) = 12\,000$ units (1)	2																																																			
4(b)	Margin of safety is difference between actual/forecast sales (1) and break-even point (1).	2																																																			
4(c)	<p style="text-align: center;">K Limited Marginal costing statement for one month</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th></th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td><math>\\$88.20 \times 14\,210</math></td> <td></td> <td style="text-align: right;">1 253 322</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Less Variable costs</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Direct materials</td> <td><math>\\$20 \times 14\,210</math></td> <td style="text-align: right;">284 200</td> <td rowspan="3" style="font-size: 2em; vertical-align: middle;">}</td> <td rowspan="3" style="text-align: right;">(1)</td> </tr> <tr> <td>Direct labour</td> <td><math>\\$36 \times 14\,210</math></td> <td style="text-align: right;">511 560</td> </tr> <tr> <td>Other variable costs</td> <td><math>\\$11 \times 14\,210</math></td> <td style="text-align: right;">156 310</td> </tr> <tr> <td>Commission</td> <td><math>\\$2 \times 9\,210</math></td> <td style="text-align: right;">18 420</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">(970 490)</td> <td></td> </tr> <tr> <td>Contribution</td> <td></td> <td></td> <td style="text-align: right;">282 832</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Less fixed costs</td> <td><math>\\$216\,000 + \\$4\,000</math></td> <td></td> <td style="text-align: right;">(220 000)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Profit for month</td> <td></td> <td></td> <td style="text-align: right;">62 832</td> <td style="text-align: right;">(1)OF</td> </tr> </tbody> </table>			\$	\$		Revenue	$\$88.20 \times 14\,210$		1 253 322	(1)	Less Variable costs					Direct materials	$\$20 \times 14\,210$	284 200	}	(1)	Direct labour	$\$36 \times 14\,210$	511 560	Other variable costs	$\$11 \times 14\,210$	156 310	Commission	$\$2 \times 9\,210$	18 420		(1)				(970 490)		Contribution			282 832	(1)OF	Less fixed costs	$\$216\,000 + \$4\,000$		(220 000)	(1)	Profit for month			62 832	(1)OF	6
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4(d)	<p>Marginal costing is used because:</p> <p>It is useful for short-term decision making (1) as it focuses on the controllable aspects of business by separating fixed and variable costs (1).</p> <p>It avoids the arbitrary allocation of fixed overheads (1) and so provides more useful data for cost control (1)</p> <p><b>Accept other valid responses.</b> <b>Max 2 advantages (1 for identifying + 1 for developing)</b></p>	4																																																			
4(e)	<p>Machine hours available</p> <table style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>X: 1.5 X 600</td> <td style="text-align: right;">900</td> </tr> <tr> <td>Y: 2.5 X 300</td> <td style="text-align: right;">750</td> </tr> <tr> <td>Z: 3 X 200</td> <td style="text-align: right;"><u>600</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>2 250</u> (1)</td> </tr> <tr> <td>x 2/3</td> <td style="text-align: right;">1 500 (1)OF</td> </tr> </tbody> </table>	X: 1.5 X 600	900	Y: 2.5 X 300	750	Z: 3 X 200	<u>600</u>	Total	<u>2 250</u> (1)	x 2/3	1 500 (1)OF	2																																									
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4(g)	<p><b>Option 1 (Max 2)</b>  <b>For:</b>  As the company makes the most profit possible (1)  Might be possible to make up the missing element of major customer's order by holding products over from previous month's production (1)  <b>Against:</b>  Major customer may look elsewhere to fulfil order and loss of custom may become permanent for part or all of regular order (1)</p> <p><b>Option 2 ((Max 2)</b>  <b>For:</b>  Ensures major customer is not disappointed and danger of losing business is averted (1)  <b>Against:</b>  A loss is made (1)  Loss during month could have impact on company's liquidity affecting ability to meet commitments (1)</p> <p><b>Advice (1)</b></p> <p><b>Accept other valid answers.</b></p>	<b>5</b>