



Cambridge O Level

ACCOUNTING**7707/24**

Paper 2 Paper 24 (Structured)

May/June 2021**MARK SCHEME**Maximum Mark: 100

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.

This document consists of **17** 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).

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.

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Question	Answer	Marks																																																																
1(a)	Sinita Sales ledger control account <table><tr><td>2020</td><td>\$</td><td>2020</td><td>\$</td></tr><tr><td>Aug 1</td><td>Balance b/d</td><td>38 440</td><td>Aug 1</td><td>Balance b/d</td><td>105</td></tr><tr><td>31</td><td>Bank (dis. Chq.)</td><td>88 (1)</td><td>31</td><td>Contra</td><td>315 (1)</td></tr><tr><td></td><td>Interest</td><td>125 (1)</td><td></td><td>Irrecoverable debts</td><td>460 (1)</td></tr><tr><td></td><td>Sales</td><td>26 845 (1)</td><td></td><td>Discount allowed</td><td>692 (1)</td></tr><tr><td></td><td>Balance c/d</td><td>148</td><td></td><td>Bank</td><td>30 121 (1)</td></tr><tr><td></td><td></td><td></td><td></td><td>Returns inwards</td><td>763 (1)</td></tr><tr><td></td><td></td><td></td><td></td><td>Balance c/d</td><td>33 190</td></tr><tr><td></td><td></td><td><u>65 646</u></td><td></td><td></td><td><u>65 646</u></td></tr><tr><td>2020</td><td></td><td></td><td>2020</td><td></td><td></td></tr><tr><td>Sep 1</td><td>Balance b/d</td><td>33 190 (1)OF</td><td>Sep 1</td><td>Balance b/d</td><td>148 (1)</td></tr></table>	2020	\$	2020	\$	Aug 1	Balance b/d	38 440	Aug 1	Balance b/d	105	31	Bank (dis. Chq.)	88 (1)	31	Contra	315 (1)		Interest	125 (1)		Irrecoverable debts	460 (1)		Sales	26 845 (1)		Discount allowed	692 (1)		Balance c/d	148		Bank	30 121 (1)					Returns inwards	763 (1)					Balance c/d	33 190			<u>65 646</u>			<u>65 646</u>	2020			2020			Sep 1	Balance b/d	33 190 (1)OF	Sep 1	Balance b/d	148 (1)	10
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1(b)	Assist in the location of errors Provide an instant total of trade receivables Prove the arithmetical accuracy of the sales ledger Enable a statement of financial position to be prepared quickly Provide a summary of transactions relating to trade receivables Help reduce fraud Max (1)	1																																																																

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Question	Answer	Marks																																																																					
1(c)	Sinita Bank Reconciliation Statement at 31 August 2020 <table><tr><td></td><td>\$</td><td></td><td>\$</td><td></td></tr><tr><td>Balance in cash book</td><td></td><td></td><td>6 416</td><td></td></tr><tr><td>Cheques not yet presented</td><td></td><td></td><td>9 825</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td> 16 24 1 </td><td></td></tr><tr><td>Amounts not yet credited</td><td>2 460</td><td>(1)</td><td></td><td></td></tr><tr><td>Bank error</td><td> 250 </td><td>(1)</td><td> 2 710 </td><td></td></tr><tr><td>Balance on bank statement</td><td></td><td></td><td> 13 53 1 </td><td>(1)</td></tr></table> Alternative presentation <table><tr><td></td><td>\$</td><td></td><td>\$</td><td></td></tr><tr><td>Balance on bank statement</td><td></td><td></td><td> 13 53 1 </td><td>(1)</td></tr><tr><td>Amounts not yet credited</td><td>2 460</td><td>(1)</td><td></td><td></td></tr><tr><td>Bank error</td><td> 250 </td><td>(1)</td><td> 2 710 </td><td></td></tr><tr><td></td><td></td><td></td><td> 16 24 1 </td><td></td></tr><tr><td>Cheques not yet presented</td><td></td><td></td><td>9 825</td><td>(1)</td></tr><tr><td>Balance in cash book</td><td></td><td></td><td> 6 416 </td><td></td></tr></table> 4		\$		\$		Balance in cash book			6 416		Cheques not yet presented			9 825	(1)				16 24 1		Amounts not yet credited	2 460	(1)			Bank error	250	(1)	2 710		Balance on bank statement			13 53 1	(1)		\$		\$		Balance on bank statement			13 53 1	(1)	Amounts not yet credited	2 460	(1)			Bank error	250	(1)	2 710					16 24 1		Cheques not yet presented			9 825	(1)	Balance in cash book			6 416	
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1(d)	Advantages of reconciling after 1 month Enables errors in the cash book to be identified earlier (1) Enables errors on the bank statement to be identified earlier (1) Errors are easier to identify (1) Enables missing entries in the cash book to be identified earlier (1) Enables out-of-date cheques to be identified earlier (1) Enables balance on bank account to be reviewed regularly (1) Acts as a deterrent to fraud (1) Accept other valid responses Max (2) Disadvantages of reconciling after 1 month May take comparatively more time (1) More transactions to record (1) May be more costly (1) Cash book is updated regularly from a bank statement less need for a reconciliation statement (1) Accept other valid responses Max (2) Recommendation (1)	5

Question	Answer	Marks
1(d)	Advantages of reconciling after 3 months May take comparatively less time (1) Less transactions to record (1) May be less costly (1) Cash book is updated less frequently from a bank statement (1) Accept other valid responses Max (2) Disadvantages of reconciling after 3 months Errors in the cash book are identified later (1) Errors on the bank statement are identified later (1) Errors may be more difficult to identify (1) Missing entries in the cash book will be identified later (1) Out-of-date cheques are identified later (1) Balance on bank account are reviewed less frequently (1) Acts less as a deterrent to fraud (1) Accept other valid responses Max (2) Recommendation (1)	

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Question	Answer										Marks																																																																																																																									
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2(b)	Debit note (1)										1																																																																																																																									

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Question	Answer	Marks															
2(c)	<table> <tr> <th data-bbox="376 248 799 347"></th><th data-bbox="799 248 1025 347">Effect on working capital</th><th data-bbox="1025 248 1839 347">Reason</th></tr> <tr> <td data-bbox="376 347 799 446">Sell surplus non-current assets</td><td data-bbox="799 347 1025 446">Increase (1)</td><td data-bbox="1025 347 1839 446">Bank increases so current assets increase (1) No change to current liabilities</td></tr> <tr> <td data-bbox="376 446 799 545">Obtain a short-term bank loan</td><td data-bbox="799 446 1025 545">No effect (1)</td><td data-bbox="1025 446 1839 545">Bank increases so current assets increase (1) Current liabilities increase by same amount</td></tr> <tr> <td data-bbox="376 545 799 683">Reduce credit sales and increase cash sales by the same amount</td><td data-bbox="799 545 1025 683">No effect (1)</td><td data-bbox="1025 545 1839 683">Trade receivables decrease and cash increases by the same amount so no change in current assets (1) No change to current liabilities</td></tr> <tr> <td data-bbox="376 683 799 794">Create a provision for doubtful debts</td><td data-bbox="799 683 1025 794">Decrease (1)</td><td data-bbox="1025 683 1839 794">Trade receivables decrease so current assets decrease (1) No change to current liabilities</td></tr> </table>		Effect on working capital	Reason	Sell surplus non-current assets	Increase (1)	Bank increases so current assets increase (1) No change to current liabilities	Obtain a short-term bank loan	No effect (1)	Bank increases so current assets increase (1) Current liabilities increase by same amount	Reduce credit sales and increase cash sales by the same amount	No effect (1)	Trade receivables decrease and cash increases by the same amount so no change in current assets (1) No change to current liabilities	Create a provision for doubtful debts	Decrease (1)	Trade receivables decrease so current assets decrease (1) No change to current liabilities	8
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3(a)	Naomi Manufacturing Account for the year ended 30 September 2020 <table><thead><tr><th></th><th>\$</th><th>\$</th><th></th></tr></thead><tbody><tr><td>Cost of materials consumed</td><td></td><td></td><td></td></tr><tr><td>Purchases</td><td>42 100</td><td></td><td></td></tr><tr><td>Closing inventory of raw materials</td><td><u>11 200</u></td><td>30 900</td><td>(1)</td></tr><tr><td>Direct factory wages (46 220 (1) + 480(1))</td><td></td><td>46 700</td><td></td></tr><tr><td>Royalties</td><td></td><td><u>3 900</u></td><td>(1)</td></tr><tr><td>Prime Cost</td><td></td><td>81 500</td><td>(1)OF</td></tr><tr><td>Factory overheads</td><td></td><td></td><td></td></tr><tr><td>Indirect factory wages</td><td>15 940</td><td>(1)</td><td></td></tr><tr><td>Factory general expenses</td><td>8 620</td><td></td><td></td></tr><tr><td>Factory rent and rates</td><td></td><td></td><td></td></tr><tr><td>$\left((8400(1) - 600(1)) \times \frac{2}{3}(1) \right)$</td><td>5 200</td><td></td><td></td></tr><tr><td>Depreciation factory machinery (15% × 80 000)</td><td>12 000</td><td>(1)</td><td></td></tr><tr><td>Depreciation loose tools (800 – 670)</td><td><u>130</u></td><td>(1)</td><td></td></tr><tr><td></td><td></td><td><u>41 890</u></td><td></td></tr><tr><td></td><td></td><td>123 390</td><td>(1)OF</td></tr><tr><td>Closing work in progress</td><td></td><td><u>1 680</u></td><td>(1)</td></tr><tr><td>Cost of production</td><td></td><td><u>121 710</u></td><td>(1)OF</td></tr></tbody></table>		\$	\$		Cost of materials consumed				Purchases	42 100			Closing inventory of raw materials	<u>11 200</u>	30 900	(1)	Direct factory wages (46 220 (1) + 480(1))		46 700		Royalties		<u>3 900</u>	(1)	Prime Cost		81 500	(1)OF	Factory overheads				Indirect factory wages	15 940	(1)		Factory general expenses	8 620			Factory rent and rates				$\left((8400(1) - 600(1)) \times \frac{2}{3}(1) \right)$	5 200			Depreciation factory machinery (15% × 80 000)	12 000	(1)		Depreciation loose tools (800 – 670)	<u>130</u>	(1)				<u>41 890</u>				123 390	(1)OF	Closing work in progress		<u>1 680</u>	(1)	Cost of production		<u>121 710</u>	(1)OF	14
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Question	Answer						Marks	
3(b)							6	
		Increase profit for the year		Decrease profit for the year		Total change in profit for the year		
		\$		\$		\$		
	Annual wages of factory workers would decrease by \$3000	3000						
	Machinery repairs, \$1100, included in factory general expense would decrease by 60%	660	(1)					
	Cost of raw materials used would decrease by 10%	3090	(1)OF					
	The total cost of the new machinery would be financed by a loan on which annual interest of 4% would be charged			4000	(1)			
	The new machinery would be depreciated in equal instalments over 8 years			* 500				
		6750		4500				
	Total change in profit					2250		(1)OF
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4(a)	Aaron and Sami Income Statement for the year ended 31 August 2020 <table> <tr> <td></td><td style="text-align: right;">\$</td><td style="text-align: right;">\$</td></tr> <tr> <td>Revenue</td><td style="text-align: right;">240 560</td><td></td></tr> <tr> <td>Less Sales returns</td><td style="text-align: right;"><u>2 100</u></td><td style="text-align: right;">238 460 (1)</td></tr> <tr> <td>Cost of sales</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">36 500</td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">129 270</td><td></td></tr> <tr> <td>Carriage inwards</td><td style="text-align: right;"><u>1 240</u></td><td></td></tr> <tr> <td></td><td style="text-align: right;">167 010 (1)</td><td></td></tr> <tr> <td>Less Closing inventory</td><td style="text-align: right;"><u>42 750 (1)</u></td><td style="text-align: right;"><u>124 260 (1)</u></td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;">114 200 (1)OF</td></tr> <tr> <td>Less Expenses</td><td></td><td></td></tr> <tr> <td>Administrative expenses</td><td style="text-align: right;">61 040 (1)</td><td></td></tr> <tr> <td>Rent payable (23 680 (1) – 5 920 (1))</td><td style="text-align: right;">17 760</td><td></td></tr> <tr> <td>Depreciation Fixtures and fittings (10% × (86 600 – 51 200))</td><td style="text-align: right;"><u>3 540 (1)</u></td><td style="text-align: right;"><u>82 340</u></td></tr> <tr> <td>Profit from operations</td><td></td><td style="text-align: right;">31 860</td></tr> <tr> <td>Loan interest (5% × 2 000)</td><td style="text-align: right;">100 (1)</td><td></td></tr> <tr> <td>Bank interest (675 (1) + 225 (1))</td><td style="text-align: right;"><u>900</u></td><td style="text-align: right;"><u>1 000</u></td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;"><u>30 860 (1)OF</u></td></tr> </table>		\$	\$	Revenue	240 560		Less Sales returns	<u>2 100</u>	238 460 (1)	Cost of sales			Opening inventory	36 500		Purchases	129 270		Carriage inwards	<u>1 240</u>			167 010 (1)		Less Closing inventory	<u>42 750 (1)</u>	<u>124 260 (1)</u>	Gross profit		114 200 (1)OF	Less Expenses			Administrative expenses	61 040 (1)		Rent payable (23 680 (1) – 5 920 (1))	17 760		Depreciation Fixtures and fittings (10% × (86 600 – 51 200))	<u>3 540 (1)</u>	<u>82 340</u>	Profit from operations		31 860	Loan interest (5% × 2 000)	100 (1)		Bank interest (675 (1) + 225 (1))	<u>900</u>	<u>1 000</u>	Profit for the year		<u>30 860 (1)OF</u>	13
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4(b)	Payments to suppliers reduced OR improve liquidity/working capital (1) May be more wastage/faulty goods/poor quality goods (1) Customers may be dissatisfied/sales may fall/may be more sales returns (1) Gross profit may fall because of increased wastage/reduced selling price/fall in sales (1) Gross profit may increase because of lower cost of sales/purchases (1) Accept other valid responses Max (2)	2																																																						

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Question	Answer	Marks																		
4(c)	Advantages Reduction in interest costs resulting in increased profits (1) Higher interest on capital received (1) May Increase the share of profits for partners (1) Reduces any claim the bank may have on business assets (1) Accept other valid responses Max (2) Disadvantages More personal funds at risk (1) May not have sufficient personal funds available (1) May cause conflict between Aaron and Sami / may require partnership agreement to be re-negotiated (1) Interest on capital may be lower than alternative investments (1) Accept other valid responses Max (2) Recommendation (1)	5																		
5(a)(i)	<table border="0"> <tr> <td></td><td style="text-align: right;">\$</td><td style="text-align: right;">\$</td></tr> <tr> <td>Retained earnings 1 September 2019</td><td style="text-align: right;">12 000</td><td></td></tr> <tr> <td>Profit for the year</td><td style="text-align: right;"><u>12 600</u></td><td style="text-align: right;">24 600 (1)</td></tr> <tr> <td>Less Transfer to general reserve</td><td style="text-align: right;">3 000</td><td></td></tr> <tr> <td>Interim dividend paid</td><td style="text-align: right;"><u>6 000</u></td><td style="text-align: right;"><u>9 000</u> (1)</td></tr> <tr> <td>Retained earnings at 31 August 2020</td><td></td><td style="text-align: right;"><u>15 600</u> (1)OF</td></tr> </table> Accept alternative forms of presentation		\$	\$	Retained earnings 1 September 2019	12 000		Profit for the year	<u>12 600</u>	24 600 (1)	Less Transfer to general reserve	3 000		Interim dividend paid	<u>6 000</u>	<u>9 000</u> (1)	Retained earnings at 31 August 2020		<u>15 600</u> (1)OF	3
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Question	Answer	Marks
5(a)(ii)	\$ Issued share capital 120 000 General reserve (8000 + 3000) 11 000 (1) Retained earnings <u>15 600</u> OF <u>146 600</u> (1)OF	2
5(b)	Share capital is permanent capital (1): loan capital must be repaid (1) Shareholders are paid dividends (1): lenders are paid interest (1) Shareholders have voting rights (1): lenders do not have voting rights (1) In a winding up share capital is repaid after loan capital (1): loan capital is repaid before share capital (1) Accept other valid responses Must be two contrasting statements Max (2)	2
5(c)	Preference shareholders receive fixed rates of dividend (1): ordinary shareholders receive variable rates of dividend (1) Preference shareholders receive dividends before ordinary shareholders (1): ordinary shareholders receive dividends (if any) last (1) Preference shareholders do not usually have voting rights (1): ordinary shareholders have voting rights (1) In a winding up preference shareholders are repaid before ordinary shareholders (1): in a winding up ordinary shareholders are repaid last (1) Accept other valid responses Must be two contrasting statements Max (2)	2
5(d)	Interest payments may reduce dividends (1) Debenture holders are repaid before ordinary shareholders in a winding up (1) Debenture interest is paid before ordinary share dividends (1) Accept other valid responses Max (2)	2

Question	Answer	Marks
5(e)	Offer cash discount for early settlement/prompt payment (1) Charge interest on overdue accounts (1) Improve credit control/send invoices or statements promptly (1) Refuse further supplies until outstanding balance paid (1) Invoice discounting and factoring (1) Accept other valid responses Max (2)	2
5(f)	Reduce inventory levels (1) Increase sales activity (1) Change sales mix (1) Accept other valid responses Max (2)	2
5(g)	Advantages Reduces the cost of purchases/goods (1) Increases profit (1) Maintain good supplier relationships (1) Avoids any interest charges for late payment (1) Accept other valid responses Max (2) Disadvantages Reduces liquidity/cash payable immediately (1) Depends on cash availability (1) Increase in administration costs (1) Accept other valid responses Max (2) Recommendation (1)	5