



Cambridge O Level

ACCOUNTING

7707/22

Paper 2

May/June 2022

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 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **16** 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.

**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)	Peter Cash Book										11
	Date	Details	Disc Alld \$	Cash \$	Bank \$	Date	Details	Disc Rec \$	Cash \$	Bank \$	
	2022 Apr 1	Balance b/d		135	920	2022 Apr 3	Rahat (1)	42		798	
	2	Sales (1)			410	8	Motor expenses (1)		42		
	18	Sales (1)		460		20	Samir (1)	8		392	
	25	Commission received (1)			115	29	Rafael (1)	15	285		
						30	Balance c/d		268	255	
				595	1445			65	595	1445	
	May 1	Balance b/d		268 (1)OF	255 (1)OF			(1)OF			
	+(1) dates										

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Question	Answer					Marks																															
1(b)		Prepare reconciliation statement		Update cash book		5																															
	Items to be adjusted	Added to bank statement balance	Deducted from bank statement balance	Debited to cash book	Credited to cash book																																
	Bank charges				✓(1)																																
	Direct debit for rent				✓ (1)																																
	Cheque paid to a supplier but not yet cashed		✓(1)																																		
	Cheque for commission received dishonoured				✓ (1)																																
	Dividend received			✓(1)																																	
1(c)	Peter Rahat account					4																															
	<table><tr><td>Date 2022</td><td>Details</td><td>\$</td></tr><tr><td>Apr 3</td><td>Bank (1)</td><td>798</td></tr><tr><td>3</td><td>Discount (1)</td><td>42</td></tr><tr><td>30</td><td>Balance c/d</td><td>288</td></tr><tr><td></td><td></td><td>1 128</td></tr><tr><td></td><td></td><td></td></tr></table>	Date 2022	Details	\$	Apr 3		Bank (1)	798	3	Discount (1)	42	30	Balance c/d	288			1 128				<table><tr><td>Date 2022</td><td>Details</td><td>\$</td></tr><tr><td>Apr 1</td><td>Balance b/d</td><td>840</td></tr><tr><td>15</td><td>Purchases (1)</td><td>288</td></tr><tr><td></td><td></td><td>1 128</td></tr><tr><td>May 1</td><td>Balance b/d (1)OF</td><td>288</td></tr></table>				Date 2022	Details	\$	Apr 1	Balance b/d	840	15	Purchases (1)	288			1 128	May 1
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Question	Answer						Marks																								
2(a)	Stalla Bank account <table><tr><th>Date 2022</th><th>Details</th><th>\$</th><th>Date 2022</th><th>Details</th><th>\$</th></tr><tr><td>Mar 31</td><td>Total receipts (1)</td><td>49 000</td><td>Mar 31</td><td>Total payments (1) Drawings (1)OF</td><td>38 870 7 800 2 330</td></tr><tr><td></td><td></td><td>49 000</td><td></td><td></td><td>49 000</td></tr><tr><td>Apr 1</td><td>Balance b/d (1)</td><td>2 330</td><td></td><td></td><td></td></tr></table>						Date 2022	Details	\$	Date 2022	Details	\$	Mar 31	Total receipts (1)	49 000	Mar 31	Total payments (1) Drawings (1)OF	38 870 7 800 2 330			49 000			49 000	Apr 1	Balance b/d (1)	2 330				4
Date 2022	Details	\$	Date 2022	Details	\$																										
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		49 000			49 000																										
Apr 1	Balance b/d (1)	2 330																													
2(b)	\$ Drawings – goods $3\,375 \times 100/125$ 2 700 (1) Drawings – cash 7 800 Total drawings <u>10 500</u> (1)OF Accept alternative format						2																								

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Question	Answer	Marks																																																												
2(c)	Stalla Statement of Affairs at 31 March 2022 <table><thead><tr><th></th><th>\$</th><th>\$</th><th></th></tr></thead><tbody><tr><td>Non-current assets</td><td></td><td></td><td></td></tr><tr><td>Fixtures and fittings at book value</td><td></td><td>10 800</td><td>(1)</td></tr><tr><td>Current assets</td><td></td><td></td><td></td></tr><tr><td>Inventory</td><td>2 150</td><td></td><td></td></tr><tr><td>Other receivables</td><td>500</td><td></td><td></td></tr><tr><td>Bank</td><td>2 330</td><td>4 980</td><td>(1)</td></tr><tr><td>Total assets</td><td></td><td>15 780</td><td></td></tr><tr><td>Capital and liabilities</td><td></td><td></td><td></td></tr><tr><td>Capital (balancing figure)</td><td></td><td>8 905</td><td>(1)OF</td></tr><tr><td>Non-current liabilities</td><td></td><td></td><td></td></tr><tr><td>Loan</td><td></td><td>5 000</td><td>(1)</td></tr><tr><td>Current liabilities</td><td></td><td></td><td></td></tr><tr><td>Trade payables</td><td></td><td>1 875</td><td>(1)</td></tr><tr><td>Total capital and liabilities</td><td></td><td>15 780</td><td></td></tr></tbody></table> <td>5</td>		\$	\$		Non-current assets				Fixtures and fittings at book value		10 800	(1)	Current assets				Inventory	2 150			Other receivables	500			Bank	2 330	4 980	(1)	Total assets		15 780		Capital and liabilities				Capital (balancing figure)		8 905	(1)OF	Non-current liabilities				Loan		5 000	(1)	Current liabilities				Trade payables		1 875	(1)	Total capital and liabilities		15 780		5
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Profit for the year	11 405	(1)OF																																																												

Question	Answer	Marks
2(e)	For Competitors may allow credit terms (1) May increase sales if offer credit terms (1) May improve relationship with customers (1) May ensure cash is received on time if cash discount is offered (1) Max (2) Against She should obtain credit references for new and existing customers (1) Payment is not received at time of sale (1) If customers pay later she could face cash flow \ liquidity problems (1) Risk of irrecoverable debts (1) Max (2) Accept other valid points. Recommendation (1)	5

Question	Answer				Marks
3(a)	Mosi Journal				11
	Error number	Details	Debit \$	Credit \$	
	1	Suspense Discount received Commission received	192 (1)	96 (1) 6 (1)	
	2	Sales Suspense	927 (1)	927 (1)	
	3	Motor expenses Bank	77 (1)	77 (1)	
	4	Petty cash Bank	135 (1)	135 (1)	
	5	Stacey Tracey	160 (1)	160 (1)	
3(b)	Mosi Suspense account				4
	Date 2022 Apr 30	Details Difference on trial balance (1)OF Discount received (1) Commission received (1)	\$ 735 96 96 927	Date 2022 Apr 30 Sales (1)OF	

Question	Answer	Marks																																
3(c)	Mosi Calculation of corrected profit <table><tr><td></td><td>—</td><td>+</td><td></td></tr><tr><td></td><td>\$</td><td>\$</td><td>\$</td></tr><tr><td>Original profit</td><td></td><td></td><td>39 970</td></tr><tr><td>Discount received</td><td></td><td>96 (1)</td><td></td></tr><tr><td>Commission received</td><td></td><td><u>96</u> (1)</td><td>192</td></tr><tr><td>Sales</td><td>927 (1)OF</td><td></td><td></td></tr><tr><td>Motor expenses</td><td><u>77</u> (1)</td><td></td><td><u>(1 004)</u></td></tr><tr><td>Corrected profit for the year</td><td></td><td></td><td><u>39 158</u> (1)OF</td></tr></table>		—	+			\$	\$	\$	Original profit			39 970	Discount received		96 (1)		Commission received		<u>96</u> (1)	192	Sales	927 (1)OF			Motor expenses	<u>77</u> (1)		<u>(1 004)</u>	Corrected profit for the year			<u>39 158</u> (1)OF	5
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Corrected profit for the year			<u>39 158</u> (1)OF																															

Question	Answer				Marks
4(a)(i)					6
		Cost	NRV	Valuation	
	packs of paper	4.50	8.00	$4.50 \times 240 = 1080$ (1)	
	packs of envelopes	$5.50 + 1.00 = 6.50$	$10.00 - 1.50 = 8.50$	$6.50 \times 225 = 1462.50$ (1)	
	notepads	$4.00 + 2.00 = 6.00$	5.00	$5.00 \times 150 = 750$ (1)	
	boxes of pencils	3.50	6.00	$3.50 \times 96 = 336$ (1)	
	Total			3628.50 (2) or (1)OF	
4(a)(ii)	Prudence (1)				1

Question	Answer			Marks																					
4(b)(i)	<table><tr><td></td><td>Capital expenditure</td><td>Revenue expenditure</td></tr><tr><td>Computer printer paper</td><td></td><td>✓ }</td></tr><tr><td>Computer equipment</td><td>✓</td><td> } (1)</td></tr><tr><td>Installation of computer equipment</td><td>✓ (1)</td><td></td></tr><tr><td>Motor vehicle</td><td>✓</td><td> }</td></tr><tr><td>Insurance of motor vehicle</td><td></td><td>✓ } (1)</td></tr><tr><td>Delivery of motor vehicle</td><td>✓ (1)</td><td></td></tr></table>				Capital expenditure	Revenue expenditure	Computer printer paper		✓ }	Computer equipment	✓	} (1)	Installation of computer equipment	✓ (1)		Motor vehicle	✓	}	Insurance of motor vehicle		✓ } (1)	Delivery of motor vehicle	✓ (1)		4
	Capital expenditure	Revenue expenditure																							
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Motor vehicle	✓	}																							
Insurance of motor vehicle		✓ } (1)																							
Delivery of motor vehicle	✓ (1)																								
4(b)(ii)	Recording low value non-current assets can be costly and time consuming (1) The cost could be greater than the benefit gained from treating as a non-current asset (1) Items not significantly affecting profit or the non-current assets need not be recorded as a non-current asset (1) What is material for a small business may not be material for a larger business (1) Max (2)			2																					
4(c)	<table><tr><td></td><td>overstated</td><td>understated</td></tr><tr><td>Effect on capital</td><td>✓ (1)</td><td></td></tr><tr><td>Effect on liabilities</td><td></td><td>✓ (1)</td></tr></table>				overstated	understated	Effect on capital	✓ (1)		Effect on liabilities		✓ (1)	2												
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Effect on capital	✓ (1)																								
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Question	Answer	Marks
4(d)	Advantages of the straight line method Easier to calculate than the reducing balance method (1) The straight-line method may be more representative of the annual loss in value (1) Non-current assets may be shown at a more realistic value (1) The annual depreciation charge would be reduced (1) Higher profits may encourage investors / lenders (1) Max (3) Disadvantages Method of charging depreciation should be applied consistently (1) Increasing profit is not a sufficient reason to change the method (1) Profit may be overstated in the year of change (1) The book value of non-current assets may not be accurate / may be overstated (1) Comparison with previous years not meaningful (1) Max (3) Accept other valid points Recommendation (1) Need at least one advantage and one disadvantage in order to get recommendation mark Note: Maximum 3 marks for either option	5

Question	Answer	Marks																																																			
5(a)	M Limited Income Statement for the year ended 30 November 2021 <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">\$</th><th style="text-align: right;">\$</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">203 600</td></tr> <tr> <td>Less Cost of sales</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">12 945</td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">143 750</td><td></td></tr> <tr> <td></td><td style="text-align: right; border-top: 1px solid black;">156 695</td><td></td></tr> <tr> <td>Less Closing inventory</td><td style="text-align: right; border-top: 1px solid black;">12 830</td><td></td></tr> <tr> <td></td><td></td><td style="text-align: right; border-top: 1px solid black;">143 865 (1)</td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;">59 735 (1)OF</td></tr> <tr> <td>Less Expenses</td><td></td><td></td></tr> <tr> <td>Rent and rates (12 460 – [1/3 × 2 250])</td><td style="text-align: right;">11 710 (1)</td><td></td></tr> <tr> <td>Operating expenses (12 920 + 415)</td><td style="text-align: right;">13 335 (1)</td><td></td></tr> <tr> <td>Wages</td><td style="text-align: right;">24 380</td><td></td></tr> <tr> <td>Depreciation of equipment ([40 000 – 17 500] × 25%)</td><td style="text-align: right;">5 625 (1)</td><td></td></tr> <tr> <td>Provision for doubtful debts</td><td style="text-align: right; border-top: 1px solid black;">97 (1)</td><td></td></tr> <tr> <td>(9 800 × 4% = 392 – 295)</td><td></td><td style="text-align: right; border-top: 1px solid black;">55 147</td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right; border-top: 1px solid black;">4 588 (1)OF</td></tr> </tbody> </table>		\$	\$	Revenue		203 600	Less Cost of sales			Opening inventory	12 945		Purchases	143 750			156 695		Less Closing inventory	12 830				143 865 (1)	Gross profit		59 735 (1)OF	Less Expenses			Rent and rates (12 460 – [1/3 × 2 250])	11 710 (1)		Operating expenses (12 920 + 415)	13 335 (1)		Wages	24 380		Depreciation of equipment ([40 000 – 17 500] × 25%)	5 625 (1)		Provision for doubtful debts	97 (1)		(9 800 × 4% = 392 – 295)		55 147	Profit for the year		4 588 (1)OF	7
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Question	Answer	Marks																																										
5(b)	M Limited Statement of Changes in Equity for the year ended 30 November 2021 <table><tr><th>Details</th><th>Ordinary share capital \$</th><th>General Reserve \$</th><th>Retained earnings \$</th><th>Total \$</th><th></th></tr><tr><td>On 1 December 2020</td><td>20 000</td><td>3 000</td><td>2 037</td><td>25 037</td><td>(1)</td></tr><tr><td>Profit for the year</td><td>.....</td><td>.....</td><td>4 588</td><td>4 588</td><td>(1)OF</td></tr><tr><td>Dividend paid</td><td>.....</td><td>.....</td><td>(1 600)</td><td>(1 600)</td><td>(1)</td></tr><tr><td>Transfer to general reserve</td><td>.....</td><td>1 000</td><td>(1 000)</td><td>.....</td><td>(1)</td></tr><tr><td>On 30 November 2021</td><td>20 000</td><td>4 000</td><td>4 025</td><td>28 025</td><td>(1)OF</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	Details	Ordinary share capital \$	General Reserve \$	Retained earnings \$	Total \$		On 1 December 2020	20 000	3 000	2 037	25 037	(1)	Profit for the year			4 588	4 588	(1)OF	Dividend paid			(1 600)	(1 600)	(1)	Transfer to general reserve		1 000	(1 000)		(1)	On 30 November 2021	20 000	4 000	4 025	28 025	(1)OF							5
Details	Ordinary share capital \$	General Reserve \$	Retained earnings \$	Total \$																																								
On 1 December 2020	20 000	3 000	2 037	25 037	(1)																																							
Profit for the year			4 588	4 588	(1)OF																																							
Dividend paid			(1 600)	(1 600)	(1)																																							
Transfer to general reserve		1 000	(1 000)		(1)																																							
On 30 November 2021	20 000	4 000	4 025	28 025	(1)OF																																							
5(c)	<table><tr><td>Liquid ratio workings</td><td>answer</td></tr><tr><td>(9 800 – 392 + 750 + 162) : (11 585 + 415) = 10 320 (1) : 12 000 (1)</td><td>0.86:1 (1)OF</td></tr></table>	Liquid ratio workings	answer	(9 800 – 392 + 750 + 162) : (11 585 + 415) = 10 320 (1) : 12 000 (1)	0.86:1 (1)OF	3																																						
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(9 800 – 392 + 750 + 162) : (11 585 + 415) = 10 320 (1) : 12 000 (1)	0.86:1 (1)OF																																											

Question	Answer	Marks
5(d)	Issuing further ordinary shares: Non-current assets should normally be financed by long-term debt or capital (1) Shareholders will expect a dividend (1) If any dividend was paid liquidity would be reduced (1) The shares would not need to be repaid (1) Existing ordinary shareholders may lose control of the company (1) Could take some time to raise the finance (1) Max (2) Bank overdraft: Liability to bank ends when overdraft is cleared (1) Bank can request repayment at very short notice (1) Interest is payable until overdraft is cleared (1) Interest must be paid even if overdraft limit is reached (1) May find it difficult to repay the overdraft (1) Bank may require security for the overdraft (1) Max (2) Accept other valid points Recommendation (1)	5