



Cambridge O Level

ACCOUNTING

7707/21

Paper 2

May/June 2023

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 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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.

Question	Answer							Marks	
1(a)	Shvan Petty Cash Book							10	
	Total received \$	Date	Details	Total paid \$	Office expenses \$	Travel \$	Ledger accounts \$		
	61 139 25	2023							
		Mar 1	Balance b/d	(1)					
			Bank	(1)					
			2	Giles	(1)	55			55
			3	Taxi fare	(1)	21			21
			6	Notepads and pens	(1)	18	18		
			6	Mitchell	(1)				
			7	Office cleaning	(1)	30	30		
			(1)OF	124	48	21	55		
				101					
	225	7	Balance c/d	225					
101	Mar 8	Balance b/d	(1)OF						
+ (1) dates									

Question	Answer						Marks																																										
1(b)	Shvan Giles account <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>2023</td><td></td><td></td><td>2023</td><td></td><td></td></tr><tr><td>Mar 2</td><td>Petty cash (1)</td><td>55</td><td>Mar 1</td><td>Balance b/d</td><td>165</td></tr><tr><td>13</td><td>Bank (1)</td><td>110</td><td>22</td><td>Purchases (1)</td><td>144</td></tr><tr><td>31</td><td>Balance c/d</td><td>144</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>309</td><td></td><td></td><td>309</td></tr><tr><td></td><td></td><td></td><td>Apr 1</td><td>Balance b/d (1)OF</td><td>144</td></tr></table>						Date	Details	\$	Date	Details	\$	2023			2023			Mar 2	Petty cash (1)	55	Mar 1	Balance b/d	165	13	Bank (1)	110	22	Purchases (1)	144	31	Balance c/d	144						309			309				Apr 1	Balance b/d (1)OF	144	4
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1(c)(i)	Direct debit (1) Internet transfer (1) Telephone transfer (1) Credit transfer (1) Debit/credit card (1) Max (1)						1																																										

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Question	Answer	Marks																																																
1(c)(ii)	Advantages of stopping using cash Safer – no cash on premises/no transporting cash to/from bank (1) May reduce fraud (1) A petty cash book would not be required (1) Time saving - no cash-handling or journeys to/from bank/ need to be physically present to exchange cash (1) Bank transactions can be quicker (1) Accept other valid points Max (2) Disadvantages of stopping using cash Some customers/suppliers/service providers may prefer to use cash (1) May take longer to receive funds via the banking system/ OR using cash may be quicker (1) It may be useful to keep some cash on the premises for emergency use/small expenses (1) May incur extra bank charges (1) Bank reconciliation may take longer/is more complex (1) Accept other valid points Max (2) (1) for recommendation	5																																																
2(a)(i)	Stalla Provision for doubtful debts account <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>2022</td><td></td><td></td><td>2022</td><td></td><td></td></tr><tr><td>Dec 31</td><td>Balance c/d</td><td>3 080</td><td>Jan 1</td><td>Balance b/d (1)</td><td>3 000</td></tr><tr><td></td><td></td><td></td><td>2022</td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>Dec 31</td><td>Income statement (1)OF</td><td>80</td></tr><tr><td></td><td></td><td>3 080</td><td></td><td></td><td>3 080</td></tr><tr><td></td><td></td><td></td><td>2023</td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>Jan 1</td><td>Balance b/d (1)</td><td>3 080</td></tr></table>	Date	Details	\$	Date	Details	\$	2022			2022			Dec 31	Balance c/d	3 080	Jan 1	Balance b/d (1)	3 000				2022						Dec 31	Income statement (1)OF	80			3 080			3 080				2023						Jan 1	Balance b/d (1)	3 080	3
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Question	Answer	Marks																																				
2(a)(ii)	Not all trade receivables will pay the amount they owe/ to anticipate irrecoverable debts (1) To apply the principle of prudence/ to ensure the profit is not overstated/ to ensure the trade receivables are not overstated (1) To apply the principle of matching / to ensure that the sales for which payment is not likely to be received are regarded as an expense of the year in which the sales were made (1) Max (2)	2																																				
2(b)	<table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Proceeds</td><td></td><td>9 500</td><td></td></tr><tr><td>Cost</td><td>16 000</td><td>(1)</td><td></td></tr><tr><td>Less provision for depreciation</td><td><u>7 000</u></td><td>(1)</td><td><u>9 000</u></td></tr><tr><td>Profit on disposal (1)</td><td></td><td><u>500</u></td><td>(1)OF</td></tr></table>		\$	\$		Proceeds		9 500		Cost	16 000	(1)		Less provision for depreciation	<u>7 000</u>	(1)	<u>9 000</u>	Profit on disposal (1)		<u>500</u>	(1)OF	4																
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Question	Answer					Marks
3(a)		Entries required to correct the error				10
	Error	Debit		Credit		
		Account	\$	Account	\$	
	A payment for rent, \$300, had been debited to the insurance account.	Rent paid	300	Insurance	300	
	Sales to Raymond of \$105, had been debited to the sales account and credited to Raymond's account.	Raymond	210 (1)	Sales	210 (1)	
	Eshe's total drawings from the bank for her own use, \$9 500, had been debited to the cash account.	Drawings	9 500 (1)	Cash	9 500(1)	
	A purchases invoice from Danika for \$137, had been recorded in her account and in the purchases journal as \$173.	Danika	36 (1)	Purchases	36 (1)	
	Returns inwards, \$44, had not been recorded in the returns inwards account.	Returns inwards	44 (1)	Suspense	44 (1)	
	The motor expenses account had been overcast by \$100.	Suspense	100 (1)	Motor expenses	100 (1)	

Question	Answer						Marks																														
3(b)	Eshe Suspense account <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>2023 Mar 31</td><td>Motor expenses</td><td>(1) 100</td><td>2023 Mar 31</td><td>Difference on trial balance</td><td>56</td></tr><tr><td></td><td></td><td></td><td></td><td>(1)OF</td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>Returns inwards</td><td>(1) 44</td></tr><tr><td></td><td></td><td>100</td><td></td><td></td><td>100</td></tr></table>						Date	Details	\$	Date	Details	\$	2023 Mar 31	Motor expenses	(1) 100	2023 Mar 31	Difference on trial balance	56					(1)OF						Returns inwards	(1) 44			100			100	3
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3(c)	Calculation of closing capital <table><tr><td></td><td>\$</td><td>\$</td><td>\$</td><td></td></tr><tr><td>Capital at 1 April 2022</td><td></td><td></td><td>31 000</td><td>}</td></tr><tr><td>Draft profit</td><td></td><td>15 600</td><td></td><td>}(1)</td></tr><tr><td>Add Sales invoice</td><td>210</td><td>(1)</td><td></td><td></td></tr><tr><td>Purchases invoice</td><td>36</td><td>(1)</td><td></td><td></td></tr><tr><td>Motor expenses</td><td><u>100</u></td><td><u>(1)</u></td><td>346</td><td></td></tr><tr><td></td><td></td><td></td><td>15 946</td><td></td></tr><tr><td>Less Returns inwards</td><td></td><td><u>44</u></td><td>(1) 15 902</td><td></td></tr><tr><td></td><td></td><td></td><td>46 902</td><td></td></tr><tr><td>Less Drawings</td><td></td><td></td><td>9 500</td><td>(1)</td></tr><tr><td>Capital at 31 March</td><td></td><td></td><td><u>37 402</u></td><td>(1)OF</td></tr></table>		\$	\$	\$		Capital at 1 April 2022			31 000	}	Draft profit		15 600		}(1)	Add Sales invoice	210	(1)			Purchases invoice	36	(1)			Motor expenses	<u>100</u>	<u>(1)</u>	346					15 946		Less Returns inwards		<u>44</u>	(1) 15 902					46 902		Less Drawings			9 500	(1)	Capital at 31 March			<u>37 402</u>	(1)OF	7
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4(a)	Salman Manufacturing Account for the year ended 30 April 2023 <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>Cost of material consumed</td><td></td><td></td></tr> <tr> <td>Opening inventory of raw material</td><td></td><td style="text-align: right;">8 190</td></tr> <tr> <td>Purchases of raw material</td><td></td><td style="text-align: right;"><u>78 420</u></td></tr> <tr> <td></td><td></td><td style="text-align: right;">86 610</td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>8 000</u></td></tr> <tr> <td>Less Closing inventory of raw material</td><td></td><td style="text-align: right;">78 610 (1)</td></tr> <tr> <td>Direct wages</td><td></td><td style="text-align: right;"><u>52 396</u> (1)</td></tr> <tr> <td>Prime cost</td><td></td><td style="text-align: right;">131 006 (1)OF</td></tr> <tr> <td>Factory overheads</td><td></td><td></td></tr> <tr> <td>Wages of factory supervisor</td><td style="text-align: right;">27 500 (1)</td><td></td></tr> <tr> <td>Rates and insurance (17 528 × 3/4)</td><td style="text-align: right;">13 146 (1)</td><td></td></tr> <tr> <td>Factory electricity (11 442 + 1 048)</td><td style="text-align: right;">12 490 (1)</td><td></td></tr> <tr> <td>General expenses</td><td style="text-align: right;">8 244</td><td></td></tr> <tr> <td>Depreciation of factory equipment</td><td></td><td></td></tr> <tr> <td>(90 000 – 43 920) × 20%</td><td style="text-align: right;"><u>9 216</u> (1)</td><td style="text-align: right;"><u>70 596</u></td></tr> <tr> <td></td><td></td><td style="text-align: right;">201 602 (1)OF</td></tr> <tr> <td>Add opening work-in-progress</td><td></td><td style="text-align: right;">15 200 *</td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>216 802</u></td></tr> <tr> <td>Less closing work-in-progress</td><td></td><td style="text-align: right;">16 100 *</td></tr> <tr> <td>Cost of production</td><td></td><td style="text-align: right;"><u>200 702</u> (1)OF</td></tr> </tbody> </table> * (1) for both opening and closing work-in-progress		\$	\$	Cost of material consumed			Opening inventory of raw material		8 190	Purchases of raw material		<u>78 420</u>			86 610			<u>8 000</u>	Less Closing inventory of raw material		78 610 (1)	Direct wages		<u>52 396</u> (1)	Prime cost		131 006 (1)OF	Factory overheads			Wages of factory supervisor	27 500 (1)		Rates and insurance (17 528 × 3/4)	13 146 (1)		Factory electricity (11 442 + 1 048)	12 490 (1)		General expenses	8 244		Depreciation of factory equipment			(90 000 – 43 920) × 20%	<u>9 216</u> (1)	<u>70 596</u>			201 602 (1)OF	Add opening work-in-progress		15 200 *			<u>216 802</u>	Less closing work-in-progress		16 100 *	Cost of production		<u>200 702</u> (1)OF	10
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Cost of production		<u>200 702</u> (1)OF																																																															

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Question	Answer	Marks																																				
4(b)	Salman Income statement (trading section) for the year ended 30 April 2023 <table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Revenue</td><td></td><td>435 174</td><td>(1)OF</td></tr><tr><td>Cost of sales</td><td></td><td></td><td></td></tr><tr><td>Opening inventory</td><td>23 860</td><td></td><td></td></tr><tr><td>Cost of production</td><td>200 702</td><td></td><td>(1)OF</td></tr><tr><td>Purchases of finished goods</td><td>90 144</td><td></td><td>(1)</td></tr><tr><td></td><td> 314 706 </td><td></td><td></td></tr><tr><td>Closing inventory</td><td>24 590</td><td>290 116</td><td>(1)OF</td></tr><tr><td>Gross profit</td><td></td><td> 145 058 </td><td>(1)OF</td></tr></table>		\$	\$		Revenue		435 174	(1)OF	Cost of sales				Opening inventory	23 860			Cost of production	200 702		(1)OF	Purchases of finished goods	90 144		(1)		314 706			Closing inventory	24 590	290 116	(1)OF	Gross profit		145 058	(1)OF	5
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4(c)	Advantages of converting office space Will be more profitable use of space/increase output (1) Manufacturing appears to be profitable (1) May not need to purchase finished goods (1) Have high bank balance which will help to pay for conversion (1) Accept other valid points Max (3) Disadvantages of converting office space May not be able to sell the extra output (1) Conversion of office space may be costly (1) May have to purchase additional factory equipment (1) May be more appropriate/more profitable to use the funds for other things (1) The space is necessary for office purposes (1) Accept other valid points Max (3) Max (4) (1) for recommendation	5																																				

Question	Answer	Marks																		
5(a)	Calculation of retained earnings <table> <tr> <td></td><td>\$</td><td></td></tr> <tr> <td>Retained earnings at 1 April 2022</td><td>16 250</td><td>}</td></tr> <tr> <td>Profit for the year</td><td>43 500</td><td>}(1)</td></tr> <tr> <td></td><td><u>59 750</u></td><td></td></tr> <tr> <td>Less Dividend</td><td>(39 000)</td><td>(1)</td></tr> <tr> <td>Retained earnings at 31 March 2023</td><td><u>20 750</u></td><td>(1)OF</td></tr> </table>		\$		Retained earnings at 1 April 2022	16 250	}	Profit for the year	43 500	}(1)		<u>59 750</u>		Less Dividend	(39 000)	(1)	Retained earnings at 31 March 2023	<u>20 750</u>	(1)OF	3
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Question	Answer					Marks																																																																																																																				
5(b)	Q Limited Statement of Financial Position at 31 March 2023 <table><thead><tr><th></th><th>\$</th><th>\$</th><th>\$</th><th></th></tr></thead><tbody><tr><td>Assets</td><td></td><td></td><td></td><td></td></tr><tr><td>Non-current Assets</td><td>Cost</td><td>Provision For Depreciation</td><td>Net Book Value</td><td></td></tr><tr><td>Fittings and equipment</td><td>150 000</td><td>40 650</td><td>109 350</td><td rowspan="3">} (1) for } both lines (1)</td></tr><tr><td>Motor vehicles</td><td>72 000</td><td>31 125</td><td>40 875</td></tr><tr><td></td><td><u>222 000</u></td><td><u>71 775</u></td><td><u>150 225</u></td></tr><tr><td>Current Assets</td><td></td><td></td><td></td><td></td></tr><tr><td>Inventory</td><td></td><td></td><td>51 790</td><td></td></tr><tr><td>Trade receivables</td><td></td><td>19 700</td><td></td><td></td></tr><tr><td>Less Provision for doubtful debts</td><td></td><td><u>591</u></td><td>19 109</td><td>(1)</td></tr><tr><td>Bank</td><td></td><td></td><td><u>1 076</u></td><td></td></tr><tr><td></td><td></td><td></td><td><u>71 975</u></td><td>(1)OF</td></tr><tr><td>Total assets</td><td></td><td></td><td><u>222 200</u></td><td></td></tr><tr><td>Equity and Liabilities</td><td></td><td></td><td></td><td></td></tr><tr><td>Equity</td><td></td><td></td><td></td><td></td></tr><tr><td>Ordinary share capital</td><td></td><td></td><td>120 000</td><td>(1)</td></tr><tr><td>Retained earnings</td><td></td><td></td><td><u>20 750</u></td><td>(1)OF</td></tr><tr><td></td><td></td><td></td><td>140 750</td><td></td></tr><tr><td>Non-current Liabilities</td><td></td><td></td><td></td><td></td></tr><tr><td>5% Debentures</td><td></td><td>40 000</td><td rowspan="2">} (1)</td><td rowspan="2"></td></tr><tr><td>Bank Loan</td><td></td><td><u>10 000</u></td></tr><tr><td>Current Liabilities</td><td></td><td></td><td></td><td></td></tr><tr><td>Trade payables</td><td></td><td></td><td><u>31 450</u></td><td>(1)</td></tr><tr><td>Total Equity and Liabilities</td><td></td><td></td><td><u>222 200</u></td><td></td></tr></tbody></table>						\$	\$	\$		Assets					Non-current Assets	Cost	Provision For Depreciation	Net Book Value		Fittings and equipment	150 000	40 650	109 350	} (1) for } both lines (1)	Motor vehicles	72 000	31 125	40 875		<u>222 000</u>	<u>71 775</u>	<u>150 225</u>	Current Assets					Inventory			51 790		Trade receivables		19 700			Less Provision for doubtful debts		<u>591</u>	19 109	(1)	Bank			<u>1 076</u>					<u>71 975</u>	(1)OF	Total assets			<u>222 200</u>		Equity and Liabilities					Equity					Ordinary share capital			120 000	(1)	Retained earnings			<u>20 750</u>	(1)OF				140 750		Non-current Liabilities					5% Debentures		40 000	} (1)		Bank Loan		<u>10 000</u>	Current Liabilities					Trade payables			<u>31 450</u>	(1)	Total Equity and Liabilities			<u>222 200</u>		8
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Question	Answer	Marks
5(c)	(19 109 OF + 1 076) : 31 450 OF = 20 185 OF : 31 450 OF (1) whole formula = 0.64 : 1 (1) OF	2
5(d)(i)	Dividends paid (1) Increase in level of inventory (1) Purchase of non-current assets (1) Repayment of non-current liabilities (1) Payment of trade payables/payment of a bank overdraft (1) Delay in receiving payment from trade receivables (1) Accept other valid points Max (2)	2

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Question	Answer	Marks
5(d)(ii)	Issue ordinary shares No interest payable (1) No repayment required (1) No need to provide security (1) The directors can decide on the rate of dividend (1) May dilute control/ownership (1) Shareholders will expect a dividend (1) May not be able to raise amount required (1) Already have long-term liabilities to repay (1) Accept other valid points Max (3) Obtain bank loan Repayment is required (1) Once loan is repaid no further liability to bank (1) Funds would need to be available when repayment is due (1) Security will be required (1) Interest will be charged (1) Bank may not be willing to lend as already have substantial long-term liabilities (1) Funds may be obtained more quickly than a share issue (1) If company is wound up loan must be repaid before shareholders (1) Accept other valid points Max (3) Max (4) (1) for recommendation	5