

Cambridge O Level

ACCOUNTING**7707/21**

Paper 2 Structured

May/June 2026**MARK SCHEME**Maximum Mark: 100

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

This document consists of **23** printed pages.

General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: - the specific content defined in the mark scheme - the specific skills defined in the mark scheme or in the level descriptions - the standard of response required as exemplified by the standardisation scripts.
2	Examiners must award whole marks (not half marks, or other fractions).
3	Examiners must award marks positively . This means that: - marks are not deducted for errors or omissions - marks are awarded for correct/valid answers as defined in the mark scheme and also for other valid answers which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate - the quality of spelling, punctuation and grammar are judged only when the mark scheme indicates that these features are specifically assessed in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must consistently apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the full range of marks defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and must not award marks with grade thresholds or grade descriptions in mind.

**Social Sciences-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.

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Indicates a point which is relevant and rewardable
	Indicates a point which is inaccurate/irrelevant and not rewardable
	Used when the benefit of the doubt is given in order to reward a response
	An extraneous figure or item in the statement
	Own figure
	Indicates that content has been recognised but not rewarded
	Indicates where content has been repeated.

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Question	Answer	Marks
1(b)	\$ Balance on bank statement Add uncredited deposit Less unpresented cheque Restoration of petty cash Cash book balance 982 450 1 432 390 1 042 117 1 159 (1) (1) (1) OF (1) OF Accept alternative presentation	4
	Guidance - For marking purposes, labels for figures have been ignored and the relationship between figures has been given importance. - The response should have a starting point, otherwise (0) marks - If the response uses an incorrect figure for the starting point, it may get marks for individual items but will not get OF mark. - If the response starts with minus 982, it may get marks for individual items, provided they are treated correctly on a minus starting figure, but (0) OF answer - If the response treats the item incorrectly, it can still get OF answer - Restoration of petty cash of 250 gets (1) OF if it is OF from 1(a) on 1 April; otherwise (0) for that item	

Question	Answer	Marks
1(c)	Advantages Less cash kept on the premises/safer/less risk of theft or fraud (1) Less time spend going to bank/counting money (1) Easier to transfer money/ easier to keep track of transactions (1) Bank transfers may be quicker (1) More convenient for customers/suppliers / improve relationship with customers/suppliers (1) Accept other valid points Max (3) Disadvantages Some customers/suppliers may prefer cash/ damage relationship with customers (1) Some customers/suppliers may not have a bank account (1) Bank charges may increase (1) Useful to keep cash for unexpected expenses (1) The cleaner may prefer to receive wages in cash (1) Accept other valid points Max (3) Max (4) Recommendation (1)	5
	Guidance • Need one point for and one against to be awarded the mark for recommendation • For converse comments, award (1) not (2) marks • A comment on the relationship must be expanded to get the mark	

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Question	Answer	Marks																												
2(a)	<table><tr><td></td><td>\$</td><td></td><td>\$</td></tr><tr><td>Cash at bank</td><td>1 715</td><td>}</td><td></td></tr><tr><td>Subscriptions accrued</td><td>400</td><td>}{(1)</td><td></td></tr><tr><td>Rent prepaid</td><td>1 200</td><td>}</td><td></td></tr><tr><td>Coffee shop inventory</td><td><u>390</u></td><td>}</td><td>3 705</td></tr><tr><td>Subscriptions prepaid</td><td></td><td></td><td><u>720</u> (1)</td></tr><tr><td>Accumulated fund</td><td></td><td></td><td><u>2 985</u> (1)OF</td></tr></table>		\$		\$	Cash at bank	1 715	}		Subscriptions accrued	400	}{(1)		Rent prepaid	1 200	}		Coffee shop inventory	<u>390</u>	}	3 705	Subscriptions prepaid			<u>720</u> (1)	Accumulated fund			<u>2 985</u> (1)OF	3
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Question	Answer						Marks																																																
2(b)	Hi Notes Music Club Subscriptions account						6																																																
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Question	Answer	Marks																																																												
2(c)	Hi Notes Music Club Coffee shop income statement for the year ended 31 March 2026 <table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Revenue</td><td></td><td>14 760</td><td>(1)</td></tr><tr><td>Less Cost of sales</td><td></td><td></td><td></td></tr><tr><td> Opening inventory</td><td>390</td><td></td><td></td></tr><tr><td> Purchases</td><td>5 395</td><td></td><td></td></tr><tr><td></td><td> </td><td></td><td></td></tr><tr><td></td><td>5 785</td><td></td><td></td></tr><tr><td>Less Closing inventory</td><td>375</td><td></td><td></td></tr><tr><td></td><td> </td><td></td><td></td></tr><tr><td></td><td>5 410</td><td>(1)</td><td></td></tr><tr><td>Coffee shop wages</td><td>2 800</td><td>(1)</td><td></td></tr><tr><td></td><td> </td><td></td><td></td></tr><tr><td></td><td></td><td>8 210</td><td></td></tr><tr><td>Profit for the year</td><td></td><td> </td><td></td></tr><tr><td></td><td></td><td>6 550</td><td>(1) OF</td></tr></table>		\$	\$		Revenue		14 760	(1)	Less Cost of sales				Opening inventory	390			Purchases	5 395								5 785			Less Closing inventory	375								5 410	(1)		Coffee shop wages	2 800	(1)								8 210		Profit for the year						6 550	(1) OF	4
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2(d)	Hi Notes Music Club Income and expenditure account for the year ended 31 March 2026 <table><thead><tr><th></th><th>\$</th><th>\$</th><th></th></tr></thead><tbody><tr><td>Income</td><td></td><td></td><td></td></tr><tr><td>Subscriptions</td><td></td><td>16 320</td><td>(1) OF</td></tr><tr><td>Profit on coffee shop</td><td></td><td>6 550</td><td>(1) OF</td></tr><tr><td></td><td></td><td> 22 870</td><td></td></tr><tr><td>Expenditure</td><td></td><td></td><td></td></tr><tr><td>Club rent and insurance</td><td></td><td></td><td></td></tr><tr><td>(13 467 + 1 200(1) – 1 800(1))</td><td>12 867</td><td></td><td></td></tr><tr><td>General expenses</td><td> 4 348</td><td> 17 215</td><td></td></tr><tr><td>Surplus for the year</td><td></td><td> 5 655</td><td>(1) OF</td></tr></tbody></table> Guidance • ‘Coffee shop’ instead of ‘Profit on coffee shop’ is not an acceptable label • If ‘profit on coffee shop ‘is referred to as ‘surplus’ in <u>2(c)</u>, the OF mark should be given if the 6550 still has the label of ‘surplus’ • Rent and Insurance: 14 667 = (1) 11 667 = (1) 16 467 = (1) 10 467 = (1) 14 067 = (0) • Must include general expenses to get OF surplus mark • Just ‘surplus’ instead of ‘surplus for the year’ is acceptable.		\$	\$		Income				Subscriptions		16 320	(1) OF	Profit on coffee shop		6 550	(1) OF			22 870		Expenditure				Club rent and insurance				(13 467 + 1 200(1) – 1 800(1))	12 867			General expenses	4 348	17 215		Surplus for the year		5 655	(1) OF	5
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	Guidance <u>Both versions</u> – - For marking purposes, labels for figures have been ignored and the relationship between figures has been given importance. - Accept any format of presentation of the answer <u>Version 1</u> 2985 = (1) OF answer only if no inessential figures are included 5655 = (1) OF answer only if no inessential figures are included <u>Version 2</u> - If <u>one</u> asset is omitted, the answer can get (1) OF - If <u>one</u> liability is omitted, the answer can get (1) OF - If the response is 3625 (treating subscriptions in advance as asset and subscriptions owing as liability) a total of (2) marks may be awarded - If the response treats subscriptions in advance as asset and subscriptions owing as liability, (1) OF may be awarded for the answer of 8960 - If the response omits one asset and treats subscriptions in advance as asset and subscriptions owing as liability, (0) marks are awarded																																									

Question	Answer						Marks																																								
3(a)	Yasmin and Zafran Rent expense account						4																																								
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Guidance - For marking purposes, dates have been ignored and the relationship between figures has been given importance. ‘Cash’, ‘Bank’, ‘Cash/bank’ are acceptable labels but ‘Cash book’ is not an acceptable label OF Balance b/d can be on either side - If the closing balance b/d is 700 (instead of being shown as opening balance), (1) OF is awarded but if both balances are the same, mark only for the opening item is awarded																																															

Question	Answer	Marks
3(b)	Points for No more rent would need to be paid / may be cheaper than renting (1) The business will own the property (1) No further liability after loan repaid (1) The business would not be subject to rent increases (1) Accept other valid points Max (3) Points against Loan has to be repaid (1) Interest will be charged (1) Lender may require security (1) Lender may refuse to grant the loan (1) Accept other valid points Max (3) Max (4) Recommendation (1)	5
	Guidance • Need one point for and one against to be awarded the mark for recommendation • Converse comments are awarded max (1) not (2) marks	

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Question	Answer						Marks
3(c)	Yasmin and Zafran Yasmin current account						7
	Date 2026 Mar 31	Details Drawings Interest on drawings Balance c/d	\$ 18 000 900 6 710 <u>25 610</u>	Date 2025 Apr 1 2026 Mar 31 2026 Apr 1	Details Balance b/d Interest on loan Interest on capital Salary Profit share Balance b/d	\$ 2 900 2 250 1 260 8 000 <u>11 200</u> <u>25 610</u> 6 710	
	(1) Dates						
	Guidance						
	• 'Profit' or 'profit for the year' are acceptable labels for 'profit share' • OF Balance b/d can be on either side • No OF balance mark is awarded if there are extraneous items included in the account • The figures 2900 and 8000 should be included in the account to get the OF balance mark						

Question	Answer				Marks
4(b)	Sally Journal				8
	Error number	Details	Debit \$	Credit \$	
	1	Rent expense Rental income	620 (1)	620 (1)	
	2	Sales Purchases	900 (1)	900 (1)	
	3	Wages Drawings	170 (1)	170 (1)	
	4	Motor expenses Bank/Cash	369(1)	369 (1)	
	Guidance - Error 1 Rent expense – allow ‘Rent paid’ or ‘Rent payable’ not just ‘Rent’ Rental income – allow ‘Rent receivable’ or ‘Rent received’ not just ‘Rent’ - Error 4 – accept either ‘Cash’ or ‘Bank’ or ‘Cash/bank’ - Where suspense a/c has been used for items 1 and 2, marks are awarded provided it has results in correct debit and credit in the named accounts				

Question	Answer	Marks
4(c)	\$ Original profit for the year 11 750 Depreciation overcharged 1 512 (1)OF Wages omitted (170) (1) Motor expenses understated <u>(369)</u> (1)OF Profit for the year after correcting errors <u>12 723</u> (1)OF	4
	Guidance - For marking purposes, labels have been ignored and the relationship between figures has been given importance. - No OF answer mark if there are extraneous items in the calculation	
4(d)(i)	Error of commission (1)	1
4(d)(ii)	Compensating error (1)	1
4(e)	Realisation (1)	1

Question	Answer			Marks
5(a)	Ratio	Workings	Answer	11
	rate of inventory turnover (times) (to two decimal places)	$\frac{(4\,620 + 93\,460 - 4\,156)}{(4\,620 + 4\,156) / 2}$ $= \frac{93\,924 \text{ (1)}}{4\,388 \text{ (1)}}$	21.40 times (1)OF	
	trade receivables turnover days (round up to next whole day)	$\frac{13\,920}{130\,844} \times 365 \text{ (1) whole formula}$	39 days (1)OF	
	trade payables turnover days (round up to next whole day)	$\frac{9\,200}{93\,460} \times 365 \text{ (1) whole formula}$	36 days (1)OF	
	current ratio (to two decimal places)	$(4\,156 + 13\,920) : (9\,200 + 2\,254)$ $= 18\,076 : 11\,454 \text{ (1) whole formula}$	1.58:1 (1)OF	
	liquid (acid-test) ratio (to two decimal places)	$\frac{13\,920}{11\,454} \text{ (1) whole formula}$	1.22:1 (1) OF	
5(a)	Guidance - No marks are awarded if the formula is inversed. - If the response uses the wrong symbol, e.g. 21.40%, no OF answer mark is awarded - The answer does not need 'times' or 'days' as these are given in the question. However, it does need ':1' in the last two ratios - If the response treats inventories wrong way round, then (0) marks for the numerator but it can get the denominator mark and OF - If the response uses 'average trade receivables' and 'trade payables', the formula is incorrect so (0) marks for calculation and (0) marks for the answer - If the response includes opening trade receivables and opening trade payables these are to be treated as extraneous items			

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Question	Answer	Marks
5(b)(i)	Prudence (1) Or Matching Or Accruals (1)	1
5(b)(ii)	Some trade receivables will not pay their accounts (1) Profit will be more accurate (1) Current assets/trade receivables will be more accurate (1) Accept other valid points Max (1)	1
	Guidance • 'To have estimate of irrecoverable debts' is a valid response • 'Reduce loss due to irrecoverable debts' is not an acceptable response	
5(c)	Trade receivables are taking an extra nine days (OF) / extra days to pay / paying after 30 days / slower to pay (1) Late payment by trade receivables could cause cash flow problems (1) Increased risk of irrecoverable debts (1) Trade payables have to wait an extra six days (OF) / taking extra days to pay / paying after 30 days / slower to pay (1) Cash discount not available if pay late (1) Possibility trade payables charging interest / refusing further supplies (1) Relying on trade receivables paying before can pay trade payables (1) Accept other valid points Max (2)	2
	Guidance • The comments are to be relevant to OF answer in 5(a)	

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Question	Answer	Marks
5(d)	Points for Large amount of cash received immediately (1) Can pay off <u>some</u> of the outstanding trade payables (1) May receive cash discount from trade payables (1) Improve relationship with trade payables / will continue to supply (1) Reduce interest charged by trade payables (1) Motor expenses should decrease (1) Accept other valid points Max (3) Points against Proceeds of sale are not enough to pay the trade payables in full (1) Will not be able deliver goods to customers / may damage relationship with customers (1) May incur carriage outwards charges (1) External distributor may not be reliable (1) This not a permanent solution to cash flow problem (1) Trade payables may charge interest (1) Accept other valid points Max (3) Max (4) Recommendation (1)	5
	Guidance • Need one point for and one against to be awarded the mark for recommendation • Converse comments are awarded max (1) not (2) marks	