



Cambridge O Level

ACCOUNTING

7707/23

Paper 2

October/November 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 October/November 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)	\$ Payments to trade payables257 700 Less Opening trade payables32 600 (1) 225 100 Add Closing trade payables29 600 (1) Purchases254 700 (1) Accept alternative forms of presentation	3
1(b)	Shiv Income Statement for the year ended 31 August 2021 \$ Revenue320 000 (1) Cost of sales Opening inventory23 500 Purchases254 700 (1) OF 278 200 Closing inventory22 200 (2) CF/(1) OF 256 000 (1) OF Gross profit64 000 (1) Expenses (34 000 + 400 (1) – 900 (1))33 500 Provision for doubtful debts777 (1) Depreciation of equipment(16 000 – 12 800)3 200 (1) 37 477 Profit for the year26 523 (1) OF	11
1(c)	Business entity (1)	1

Question	Answer	Marks
1(d)	Inventory should be valued at the lower of cost and net realisable value (1) Cost of sales would be understated (1) The profit will be overstated/profit will not be shown at a realistic level (1) The current assets/inventory will be overstated (1) Prudence principle is not being observed (1) Consistency principle is not being observed (1) Comparison with previous years/competitors would not be accurate (1) Accounting records must present a realistic view of the business (1) Accept other valid points Max (5)	5

Question	Answer	Marks																		
2(a)	<table border="1"> <thead> <tr> <th></th><th>Capital expenditure</th><th>Revenue expenditure</th></tr> </thead> <tbody> <tr> <td>Building new extension to warehouse</td><td>✓</td><td></td></tr> <tr> <td>Rates on new extension</td><td></td><td>✓ (1)</td></tr> <tr> <td>Carriage costs for roof tiles for new extension</td><td>✓ (1)</td><td></td></tr> <tr> <td>Legal costs for new extension</td><td>✓ (1)</td><td></td></tr> <tr> <td>Repairs to office roof</td><td></td><td>✓ (1)</td></tr> </tbody> </table>		Capital expenditure	Revenue expenditure	Building new extension to warehouse	✓		Rates on new extension		✓ (1)	Carriage costs for roof tiles for new extension	✓ (1)		Legal costs for new extension	✓ (1)		Repairs to office roof		✓ (1)	4
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Repairs to office roof		✓ (1)																		

Question	Answer			Marks
2(b)	Rent warehouse	Purchase warehouse		5
	No initial outlay OR	Has to raise an additional \$200 000 in order to purchase	(1)	
	Little or no maintenance/repair cost OR	Will be maintenance/repair costs/depreciation	(1)	
	The non-current asset is not owned OR	Will own an additional non-current asset/gets fixed asset/owns a warehouse	(1)	
		Loan must be repaid	(1)	
		Will have to pay loan interest	(1)	
		Warehouse may not be required if trade decreases in future	(1)	
	Premises may not be available on a long term basis		(1)	
	Rent may increase after 6 months		(1)	
	Can vacate the premises after 6 months (is flexible)			
	Max (2)	Max (2)		
	Accept other valid points			
	Recommendation (1)			

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Question	Answer						Marks
2(c)	Jas Fixtures account						8
	Date 2020 Jan 1	Details Balance b/d Bank	\$ 115 000 30 000 145 000	Date 2020 Jun 30 31	Details Fixtures disposal (1) Balance c/d	\$ 20 000 125 000 145 000	
	2021 Jan 1	Balance b/d (1)	125 000				
Provision for depreciation of fixtures account							
	Date 2020 Jun 30 Dec 31	Details Fixtures disposal (1) Balance c/d	\$ 11 250 96 750 108 000	Date 2020 Jan 1 Dec 31 2021 Jan 1	Details Balance b/d Income statement 21 375 (1) 2 250 (1) 6 750 (1) Balance b/d (1)OF	\$ 77 625 30 375 108 000 96 750	

Question	Answer						Marks
2(d)	Jas Fixtures disposal account						3
	Date 2020 Jun 30	Details	\$	Date 2020 Jun 30	Details	\$	
		Fixtures	20 000	Dec 31	Prov. for Dep. (1)OF Bank (1) Income statement (1)OF	11 250 6 000 <u>2 750</u> <u>20 000</u>	

Question	Answer					Marks
3(a)	Anil Journal					12
	Error	Details	Debit \$	Credit \$		
	1	Suspense Sales	7100	7100	(1) (1)	
	2	Sales returns	520	1040	(1)	
		Purchases	520		(1)	
		Suspense			(2)	
		OR				
Sales returns		520	(1)			
Suspense		520	(1)			
Purchases	520		(1)			
Suspense		520	(1)			
3	Bank charges Suspense	320	320	(1) (1)		
4	Bank	1200	600 600	(2)		
	Suspense			(1)		
	Insurance			(1)		
	OR					
	Bank	1200	1200	(1)		
	Suspense			(1)		
	Suspense	600		(1)		
Insurance		600	(1)			

Question	Answer	Marks																																																																																				
3(b)	Anil Suspense account <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td></td><td>Sales (1)</td><td>7100</td><td></td><td>Difference on trial balance</td><td>5140</td></tr><tr><td></td><td></td><td></td><td></td><td>Sales returns (1)</td><td>520</td></tr><tr><td></td><td></td><td></td><td></td><td>Purchases (1)</td><td>520</td></tr><tr><td></td><td></td><td></td><td></td><td>Bank charges (1)</td><td>320</td></tr><tr><td></td><td></td><td></td><td></td><td>Bank (1)</td><td>600</td></tr><tr><td></td><td></td><td>7100</td><td></td><td></td><td>7100</td></tr></table> +(1) for matching totals OR for an own figure balance brought down Alternative presentation if used alternative journal entry for error 4 in 3(a) <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td></td><td>Sales (1)</td><td>7100</td><td></td><td>Difference on trial balance</td><td>5140</td></tr><tr><td></td><td>Insurance (1)</td><td>600</td><td></td><td>Sales returns (1)</td><td>520</td></tr><tr><td></td><td></td><td></td><td></td><td>Purchases (1)</td><td>520</td></tr><tr><td></td><td></td><td></td><td></td><td>Bank charges (1)</td><td>320</td></tr><tr><td></td><td></td><td></td><td></td><td>Bank (1)</td><td>1200</td></tr><tr><td></td><td></td><td>7700</td><td></td><td></td><td>7700</td></tr></table>	Date	Details	\$	Date	Details	\$		Sales (1)	7100		Difference on trial balance	5140					Sales returns (1)	520					Purchases (1)	520					Bank charges (1)	320					Bank (1)	600			7100			7100	Date	Details	\$	Date	Details	\$		Sales (1)	7100		Difference on trial balance	5140		Insurance (1)	600		Sales returns (1)	520					Purchases (1)	520					Bank charges (1)	320					Bank (1)	1200			7700			7700	6
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3(c)	Commission, compensating, complete reversal, omission, original entry, principle Any 2 × 1 mark	2																																																																																				

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Question	Answer						Marks
4(a)	Karishma Insurance account						10
	Date 2020	Details	\$	Date 2021	Details	\$	
	Oct 1	Balance b/d (1)	1700	Feb 28	Bank (1)	300	
	2021			Sep 30	Income statement (1)OF	6200	
	Feb 7	Bank }	3400				
	Aug 13	Bank }(1)	<u>3500</u>		Balance c/d	<u>2100</u>	
			<u>8600</u>			<u>8600</u>	
	2021						
	Oct 1	Balance b/d (1)	2100				
	Electricity account						
Date 2020	Details	\$	Date 2020	Details	\$		
Oct 14	Bank }	1800	Oct 1	Balance b/d (1)	1800		
2021			2021				
Jan 24	Bank }(1)	1800	Sep 30	Income statement (1)OF	5600		
May 26	Bank }	1800					
Sep 30	Balance c/d	<u>2000</u>			<u>7400</u>		
		<u>7400</u>					
			2021				
			Oct 1	Balance b/d (1)	2000		
Dates (1)							

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Question	Answer	Marks
4(b)	Advantages Fixed monthly payment (1) Payments would be made automatically (1) More difficult to fall behind with payments (1) Cheaper than existing contract (1) Helps with planning expenditure (1) Accept other valid points Max (2) Disadvantages Would lose control of her payment schedule/ would not be able to pick and choose when to make the payments (1) Bank charges might increase (1) Tied to two-year contract (1) Need to consider reliability of new supplier (1) Possible price increase after two years (1) Accept other valid points Max (2) Recommendation (1)	5

Question	Answer						Marks
4(c)	Karishma Rent receivable account						4
	Date 2021 Sep 30	Income statement (1)OF Balance c/d	\$ 1965 510 <u>2475</u>	Date 2020 Oct 1 2021 Mar 2 Aug 8 2021 Oct 1	Bank } } Bank } (1) Bank } Balance b/d (1)	\$ 800 825 <u>850</u> <u>2475</u> 510	
	Dates (1)						
4(d)	Current liabilities						1

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Question	Answer	Marks																																																
5(a)	VL Sports Club Subscriptions account <table><tr><td>Date 2020</td><td>Details</td><td>\$</td><td>Date 2020</td><td>Details</td><td>\$</td></tr><tr><td>Jan 1</td><td>Balance b/d (1)</td><td>700</td><td>Jan 1</td><td>Balance b/d (1)</td><td>1 100</td></tr><tr><td>Dec 31</td><td>Income and expenditure (1)OF</td><td>19 080</td><td>Dec 31</td><td>Bank (1)</td><td>19 200</td></tr><tr><td></td><td>Balance c/d</td><td><u>900</u></td><td></td><td>Irrecoverable debts(1)</td><td>80</td></tr><tr><td></td><td></td><td><u>20 680</u></td><td></td><td>Balance c/d</td><td><u>300</u></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td><u>20 680</u></td></tr><tr><td>2021</td><td></td><td></td><td>2021</td><td></td><td></td></tr><tr><td>Jan 1</td><td>Balance b/d (1)</td><td>300</td><td>Jan 1</td><td>Balance b/d (1)</td><td>900</td></tr></table> Dates (1)	Date 2020	Details	\$	Date 2020	Details	\$	Jan 1	Balance b/d (1)	700	Jan 1	Balance b/d (1)	1 100	Dec 31	Income and expenditure (1)OF	19 080	Dec 31	Bank (1)	19 200		Balance c/d	<u>900</u>		Irrecoverable debts(1)	80			<u>20 680</u>		Balance c/d	<u>300</u>						<u>20 680</u>	2021			2021			Jan 1	Balance b/d (1)	300	Jan 1	Balance b/d (1)	900	8
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5(b)	VL Sports Club Income and Expenditure Account for the year ended 31 December 2020 <table><tr><td></td><td>\$</td><td>\$</td></tr><tr><td>Income</td><td></td><td></td></tr><tr><td>Subscriptions</td><td></td><td>19 080 (1)OF</td></tr><tr><td>Competition receipts</td><td>7 300</td><td></td></tr><tr><td>cost of prizes</td><td><u>4 100</u></td><td>3 200 (1)</td></tr><tr><td>Dinner dance ticket sales</td><td>6 500</td><td></td></tr><tr><td>costs</td><td><u>6 200</u></td><td><u>300 (1)</u></td></tr><tr><td></td><td></td><td>22 580</td></tr><tr><td>Expenditure</td><td></td><td></td></tr><tr><td>General expenses</td><td></td><td></td></tr><tr><td>(11 500 – 400(1) + 500(1))</td><td>11 600</td><td></td></tr><tr><td>Irrecoverable debt</td><td>80 (1)</td><td></td></tr><tr><td>Depreciation of equipment</td><td></td><td></td></tr><tr><td>(23 000 + 12 000 – 30 000)</td><td><u>5 000 (1)</u></td><td><u>16 680</u></td></tr><tr><td>Surplus for the year</td><td></td><td><u>5 900 (2)CF/(1)OF</u></td></tr></table>		\$	\$	Income			Subscriptions		19 080 (1)OF	Competition receipts	7 300		cost of prizes	<u>4 100</u>	3 200 (1)	Dinner dance ticket sales	6 500		costs	<u>6 200</u>	<u>300 (1)</u>			22 580	Expenditure			General expenses			(11 500 – 400(1) + 500(1))	11 600		Irrecoverable debt	80 (1)		Depreciation of equipment			(23 000 + 12 000 – 30 000)	<u>5 000 (1)</u>	<u>16 680</u>	Surplus for the year		<u>5 900 (2)CF/(1)OF</u>	9			
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Question	Answer	Marks
5(c)	Advantages Cash received earlier (1) Reduced risk of irrecoverable subscriptions/reduced risk of subscriptions in arrears (1) Reduction in administration costs (1) May encourage new members to join (1) Accept other valid points Max (1) Disadvantages Less cash received (1) Possible reduction in membership (1) Difficulty of monitoring varying subscription rates (1) Reduces the surplus for the year (1) Accept other valid points Max (1) Recommendation (1)	3