CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Fundamentals of Accounting **February/March 2026**

MARK SCHEME

Maximum Mark: 90

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 February/March 2026 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **15** printed pages.

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 descriptions 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.

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
✓	Correct and relevant point made in answering the question.
✗	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repetition
A	An extraneous figure
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure
Highlight	Highlight
Off page Comment	Off page comment

Abbreviations and guidance
The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. **}***
Or
fb= for both figures

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally
valid.

Question	Answer	Marks
1(a)	**Calculate the total purchases of goods for resale for the year ended 31 December 2025.**	**5**

	$	
Opening balance of trade payables	(4 914)	**(1) fb**
Closing balance of trade payables	5 520	
Payments to trade payables	35 724	**(1) fb**
Discounts received	390	
Unpresented cheques	680	**(1)**
Cash purchases	3 172	**(1)**
Total purchases	40 572	**(1) OF**

Alternative approach:

Purchase ledger control account

	$			$	
Bank	35 724	**}**	Bal b/d	4 914	***(1)**
Discounts received	390	**}(1)**	Purchases	36 720	
Bal c/d	5 520	***both**			
	41 634			41 634	
			Bal b/d	5 520	

Credit purchases	36 720	**OF**
Unpresented cheques	680	**(1)**
Cash purchases	3 172	**(1)**
Total purchases	40 572	**(1)OF**

Question	Answer	Marks
1(b)	**Prepare the statement of profit or loss for the year ended 31 December 2025.**	**14**

Houssam
Statement of profit or loss for the year ended 31 December 2025

	$	$	
Revenue **W1**	99 202		**(1)**
Cost of sales **W2**	(3 878)		**(1)**
Gross profit		61 124	**(1) OF**
Discounts received		390	**(1)**
Profit on disposal of equipment		145	**(1)**
		61 659	
Less expenses			
Depreciation of equipment **W3**	3 700		**(2) OF**
Bank loan interest	840		**(1)**
General expenses **W4**	3 457		**(2) OF**
Rent **W5**	9 210		**(2) OF**
Wages	13 860		**(1)**
		(31 067)	
Profit for the year		30 592	**(1) OF**

W1 Cash takings banked $79 320 + unbanked takings $19 882 = $99 202 **(1)**

W2 Purchases $40 572 + carriage inwards $148 + [Opening inventory $8 792 – closing inventory $11 434] **(1)** = $38 078 **(1)**

W3 $20 800 less disposal $800 **(1)** + purchase $3 200 = $23 200 – valuation $19 500 = $3 700 **(1) OF**

W4 Paid $4 410 – opening due $183 **(1)** – closing prepaid $770 = $3 457 **(1) OF**

W5 Paid $8 380 + $320 opening prepaid **(1)** + $510 closing due = $9 210 **(1) OF**

Question	Answer	Marks
1(c)	**Explain, with reference to the relevant accounting concept, how drawings are treated in the financial statements of a business.** Business entity concept **(1)** drawings are removed from cost of sales/subtracted from purchases (in the statement of profit or loss) **(1)** drawings must be shown as a deduction from capital in the statement of financial position **(1)** **Max 2**	**2**
1(d)	**State <u>two</u> reasons why Houssam may have chosen <u>not</u> to maintain full accounting records.** The cost involved in employing/training someone OR purchasing software/computer **(1)** Does not have the skills (to maintain full accounting records) **(1)** Does not have the time (to maintain full accounting records) **(1)** Does not require the additional information a full accounting system would provide **(1)** **Max 2** **Accept other valid responses**	**2**
1(e)	**Advise Houssam whether or not he should use a computerised accounting system. Justify your answer by considering the advantages and disadvantages of computerised accounting systems.** **Advantages (max 3)** Speed of processing information **(1)** Automatic provision of financial statements **(1)** Potential for additional useful features: payroll/inventory control **(1)** Accuracy/less errors of records **(1)** Space can be saved/less paper used/large amount of data stored **(1)** Production of business documents e.g. invoices **(1)** Auditing and fraud prevention **(1)** Records/data are more secure (using passwords/back-ups) **(1)** **Disadvantages (max 3)** Cost of capital equipment **(1)** Cost of software package/updating/maintenance **(1)** Training required to use software package/additional wages cost **(1)** Data security risks/hacking/cyber-attacks/virus **(1)** Systems crashing/loss of data **(1)** Employee resistance **(1)** **Decision supported with a comment (1)** **Accept other valid responses.**	**7**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Calculate the total carrying value of vehicles at 1 January 2025.
Vehicle A: 20% × 2 × $30 000 = $12 000 OR $18 000 (1)
Vehicle B: 20% × ½ × $24 000 = $2 400 OR $21 600 (1)
Vehicle C: 20% × 5/12 × $33 000 = $2 750 OR $30 250 (1)
Carrying value: $87 000 – $17 150 = $69 850 (1)</td><td>4</td></tr>
<tr><td>2(b)</td><td>Prepare the vehicles at cost ledger account for the year ended 31 December 2025.
Vehicles at cost
<table>
<tr><td>2025</td><td></td><td>$</td><td></td><td>2025</td><td></td><td>$</td><td></td></tr>
<tr><td>Jan 1</td><td>Balance b/d</td><td>87 000</td><td></td><td>Sept 1</td><td>Disposal</td><td>30 000</td><td>(1)</td></tr>
<tr><td>Sept 1</td><td>Bank</td><td>18 200</td><td>(1)</td><td>Dec 31</td><td>Balance c/d</td><td>92 000</td><td></td></tr>
<tr><td>Sept 1</td><td>Disposal</td><td>16 800</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>2026</td><td></td><td>122 000</td><td></td><td></td><td></td><td>122 000</td><td></td></tr>
<tr><td>Jan 1</td><td>Balance b/d</td><td>92 000</td><td>(1) OF</td><td></td><td></td><td></td><td></td></tr>
</table>
</td><td>4</td></tr>
<tr><td>2(c)</td><td>Calculate the profit or loss on disposal of Vehicle A.
(30 000 – 12 000)= 18 000 (1)
18 000 – 16 800 (1) = 1 200 loss (1)</td><td>3</td></tr>
<tr><td>2(d)</td><td>Explain <u>two</u> accounting concepts which are applied when non-current assets are depreciated.
Matching/accruals (1): the cost of the non-current asset is matched to the period when the business benefits from the asset’s use (1).
Prudence (1): assets and profits should not be overstated (1).
Consistency (1): accounting policies should not be changed without a valid reason/to allow comparison between years (1)
Max 2 concepts × 2 marks</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>
Prepare the statement of changes in equity for the year ended 31 December 2025.

N plc
Statement of changes in equity for the year ended 31 December 2025
<table>
<tr><th></th><th>Share capital
$</th><th>Share premium
$</th><th>Revaluation reserve
$</th><th>Retained earnings
$</th><th>Total
$</th></tr>
<tr><td>At 1 January 2025</td><td>660 000</td><td>175 000</td><td>110 000</td><td>367 000</td><td>1 312 000</td></tr>
<tr><td>Revaluation (of property)</td><td></td><td></td><td>(110 000)}</td><td>(30 000)}
(1)</td><td>(140 000)</td></tr>
<tr><td>Bonus issue W1</td><td>396 000
(1)</td><td>(175 000)
(1)</td><td></td><td>(221 000)
(1)</td><td>–</td></tr>
<tr><td>Dividend (paid) W2</td><td></td><td></td><td></td><td>(84 480)
(1)</td><td>(84 480)</td></tr>
<tr><td>Rights issue W3</td><td>352 000
(1)</td><td>140 800
(1)</td><td></td><td></td><td>492 800</td></tr>
<tr><td>Profit (for the year)</td><td></td><td></td><td></td><td>92 500
(1)</td><td>92 500</td></tr>
<tr><td>At 31 December 2025</td><td>1 408 000</td><td>140 800</td><td>–</td><td>124 020</td><td>1 672 820</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>(1)OF column</td></tr>
</table>

W1 Bonus issue: 3/5 × 660 000 = $396 000
W2 Number of shares 1 056 000 × 4 = 4 224 000 × $0.2 = $84 480
W3 Rights issue
4 224 000/3 = 1 408 000 shares
Increase in share capital $352 000
Increase in share premium: 1 408 000 × $0.10 = $140 800
</td><td>9</td></tr>
</table>

Question	Answer	Marks
3(b)	**Explain two advantages to a company of making a rights issue of shares rather than a new issue of shares.** • A rights issue is less time consuming than making a general issue of shares **(1)** because there are less rules and regulations/already know the shareholders **(1)** • A rights issue is less costly **(1)** no need for a prospectus/promotion costs **(1)** • The control of the company is unaffected by a rights issue **(1)** as shares are purchased by existing shareholders/not new shareholders (in proportion to their existing shareholding) **(1)** • More likely to be successful than a general issue **(1)** as shares are offered at a favourable price **(1)** **Max 4** **Accept other valid responses.**	**4**
3(c)	**Explain one reason for creating a general reserve.** • To ensure finance is retained in the business for some future needs/in case of emergency **(1)** ensures they have necessary funds to respond/liquid enough **(1)** • Divided policy flexibility **(1)** allows dividend payout in less profitable years **(1)** **Max 2** **Accept other valid responses.**	**2**

Question	Answer	Marks
4(a)(i)	**Define each of the following terms:** **Marginal cost:** the extra cost arising from the production of one more unit **(1)**	**1**
4(a)(ii)	**Define each of the following terms:** **Stepped cost:** fixed costs which change as different stages of production are reached **(1)**	**1**
4(b)	**Calculate the current profit per month.** Contribution per unit: \$84 – \$24 – \$48 = \$12 **(1)** Total contribution: 12 × 3 600 = \$43 200 **(1)** Profit per month: \$43 200 – \$28 260 = \$14 940 **(1)**	**3**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>Calculate the <u>increase</u> in the selling price per unit in order to achieve the target profit.
Increase in direct labour cost: $2.40
New contribution: $28 260 + 18 000 = $\frac{\$46\,260}{3\,600}$ (1) = $12.85 (1)
Either: New selling price: Variable costs $74.40 (1) + new contribution $12.85 = $87.25 (1)
Increase in selling price = $3.25 (1)
Or: Increase in selling price: $2.40 + $0.85 (1) = $3.25 (1)</td><td>5</td></tr>
<tr><td>4(d)(i)</td><td>Prepare marginal costing statements to show the monthly profit to be made for <u>each</u> option.
option A
Marginal costing statement for one month
<table>
<tr><th></th><th>$</th><th></th></tr>
<tr><td>Revenue: 8800 × 28</td><td>246 400</td><td>(1)</td></tr>
<tr><td>Direct materials W1</td><td>(95 040)</td><td>(1)</td></tr>
<tr><td>Direct labour (normal working): 8000 × 12</td><td>(96 000)</td><td>(1)</td></tr>
<tr><td>Direct labour (overtime working) 800 × 16.80</td><td>(13 440)</td><td>(1)</td></tr>
<tr><td>Contribution</td><td>41 920</td><td>(1) OF</td></tr>
<tr><td>Fixed costs: $28 700 + $4000 advertising</td><td>(32 700)</td><td>(1)</td></tr>
<tr><td>Profit for one month</td><td>9 220</td><td>(1) OF</td></tr>
</table>
W1: Direct materials per unit: $9 + 50% = $13.50 × 80% = $10.80
Total direct materials: 8 800 × $10.80 = $95 040</td><td>7</td></tr>
</table>

Question	Answer	Marks
4(d)(ii)	**Prepare marginal costing statements to show the monthly profit to be made for <u>each</u> option.** option B Marginal costing statement for one month | | $ | | | Revenue: 8000 × 28 | 224 000 | **(1)** | | Direct materials: **W1** | (75 600) | **(1)** | | Direct labour (8000 × $12) | (96 000) | **(1)** | | Contribution | 52 400 | **(1) OF** | | Fixed costs | (28 700) | **(1)** | | Profit for one month | 23 700 | **(1) OF** | **W1**: New price per unit $13.50 × 70% = $9.45 Total direct materials 8 000 × $9.45= $75 600	**6**

Question	Answer	Marks
4(e)	**Advise the directors which option they should choose. Justify your choice by discussing <u>both</u> financial and non-financial factors.** **Option A (max 4)** For Can use inventory control system (JIT) which will help avoid wastage **(1)** and avoid any increase in storage costs **(1)** Avoid storage costs **(1)** Increased advertising should increase customers/revenue/brand recognition **(1)** Overtime may motivate employees **(1)** Could sell more products which will increase customers/revenue **(1)** Against Will advertising campaign be successful? **(1)** Profits are lower per month than for option B **(1)** Altering the design may reduce customer demand/sales/revenue **(1)** JIT could mean halts in production if delivery is late **(1)** JIT often means additional delivery/admin costs **(1)** **Option B (max 4)** For Avoids overtime requirement which may be resisted by employees **(1)** Makes higher profit per month than option A **(1) OF** Against Reliability of new supplier **(1)** Will quality be maintained? **(1)** Additional storage costs? **(1)** **Accept other valid responses.** **Decision supported with a comment (1)**	7