



## Cambridge O Level

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**ACCOUNTING**

**7707/23**

Paper 2 (Structured)

**October/November 2022**

MARK SCHEME

Maximum Mark: 100

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**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 2022 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **18** 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.

**PUBLISHED**

Question	Answer	Marks																																																
1(a)	<p style="text-align: center;">Anika Income Statement for the year ended 31 August 2022</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%; text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Rent receivable (162 000 (1) – 8 100 (1))</td> <td></td> <td style="text-align: right;">153 900</td> </tr> <tr> <td>Less Expenses</td> <td></td> <td></td> </tr> <tr> <td>General expenses (26 500 – 1 300)</td> <td style="text-align: right;">25 200 (1)</td> <td></td> </tr> <tr> <td>Rates (38 200 + 3 400)</td> <td style="text-align: right;">41 600 (1)</td> <td></td> </tr> <tr> <td>Insurance (12 400 – 360)</td> <td style="text-align: right;">12 040 (1)</td> <td></td> </tr> <tr> <td>Repairs (32 000 – 9 000)</td> <td style="text-align: right;">23 000 (1)</td> <td></td> </tr> <tr> <td>Depreciation – Premises (418 000 / 50)</td> <td style="text-align: right;">8 360 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Fittings (28 000 × 20%)</td> <td style="text-align: right; border-bottom: 1px solid black;">5 600 (1)</td> <td style="text-align: right; border-bottom: 1px solid black;">115 800</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right; border-bottom: 3px double black;">38 100 (1) OF</td> </tr> </tbody> </table>		\$	\$	Rent receivable (162 000 (1) – 8 100 (1))		153 900	Less Expenses			General expenses (26 500 – 1 300)	25 200 (1)		Rates (38 200 + 3 400)	41 600 (1)		Insurance (12 400 – 360)	12 040 (1)		Repairs (32 000 – 9 000)	23 000 (1)		Depreciation – Premises (418 000 / 50)	8 360 (1)		Fittings (28 000 × 20%)	5 600 (1)	115 800	Profit for the year		38 100 (1) OF	<b>9</b>																		
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1(c)	<p><b>Using own capital</b>            Consistent profit each year which is greater than 3% interest on savings (1)            More capital will be at risk (1)            Need to consider if additional capital provide a similar/greater return (1)            If there is no demand for additional property in the area the return on her investment will fall (1)            Would still be entitled to the whole profit (1)            Would maintain control/no need to consult on decision-making (1)  <b>Accept other valid points</b>  <b>Max (2)</b></p> <p><b>Forming a partnership with Janos</b>            Janos' skills may be useful in the business (1)            Janos would introduce additional capital (1)            Profit would be shared with Janos (1)            Risks would be shared with Janos (1)            Responsibilities would be shared with Janos (1)            Disagreements may arise (1)            Personal savings can be maintained/additional funds not at risk in the business (1)  <b>Accept other valid points</b>  <b>Max (2)</b></p> <p><b>Recommendation (1)</b></p>	5								
1(d)	<p>Capital expenditure is money spent on non-current assets: revenue expenditure is money spent on day-to day expenses (1)            Capital expenditure lasts more than 12 months: revenue expenditure is used up in less than 12 months (1)  <b>Max (1)</b></p> <p>Importance of correct classification</p> <table border="0" data-bbox="338 1193 1939 1331"> <tr> <td>Including capital expenditure in income statement</td> <td>Profit for year understated (1)</td> </tr> <tr> <td>Including revenue expenditure in statement of financial position</td> <td>Profit for year overstated (1)</td> </tr> <tr> <td>Including capital expenditure in income statement</td> <td>Non-current assets understated (1)</td> </tr> <tr> <td>Including revenue expenditure in statement of financial position</td> <td>Non-current assets overstated (1)</td> </tr> </table> <p><b>Max (2)</b></p>	Including capital expenditure in income statement	Profit for year understated (1)	Including revenue expenditure in statement of financial position	Profit for year overstated (1)	Including capital expenditure in income statement	Non-current assets understated (1)	Including revenue expenditure in statement of financial position	Non-current assets overstated (1)	3
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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
2(e)	<p>Must compare with business in same trade (1) Businesses in different trades will have different profit margins, types of assets and expenses etc. (1)</p> <p>Must compare with a business of approximately the same size /same amount of capital (1) Size of business can affect purchasing power, amount and type of non-current assets etc.(1)</p> <p>Must compare with same type of business organisation (1) Must compare with a sole trader business as a company and a partnership may have different types of costs and have to appropriate the profit between owners (1)</p> <p>Financial statements will not contain non-monetary items (1) Factors such as goodwill, location, skill of workforce, staff morale etc. are not disclosed (1)</p> <p>Only a limited amount of information will be available/may be difficult to obtain information about other businesses (1) The age of non-current assets, average inventory, future plans, budgets, etc. are not available (1)</p> <p>Businesses may use different accounting policies (1) Different methods of depreciation may be used which affect profits and value of non-current assets (1)</p> <p>Businesses may use different operating policies (1) Renting/owning premises, using funds from loans/capital, selling on credit/ cash affect the business performance (1)</p> <p>Financial years may end on different dates (1) One business may have year-end when inventory is low/high which affect profit calculations and assets (1)</p> <p>Should compare with business which has been established for approximately same amount of time (1) Longer-established businesses have had time to build up goodwill and no more start-up costs (1)</p> <p><b>Up to (2) each for any 3 aspects of problems of comparison.</b></p>	<b>6</b>

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3(a)	<p style="text-align: center;">RB Insurance account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 10%;"></th> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td></td> <td></td> <td></td> <td>2022</td> <td></td> <td></td> </tr> <tr> <td>Apr 1</td> <td>Balance b/d</td> <td>2 500</td> <td>(1)</td> <td>Mar 31</td> <td>Bank</td> <td>600 (1)</td> </tr> <tr> <td>2022</td> <td></td> <td></td> <td></td> <td></td> <td>Income statement</td> <td>16 350 (1) OF</td> </tr> <tr> <td>Mar 31</td> <td>Bank</td> <td>15 300</td> <td>(1)</td> <td></td> <td>Balance c/d</td> <td>850</td> </tr> <tr> <td></td> <td></td> <td><u>17 800</u></td> <td></td> <td></td> <td></td> <td><u>17 800</u></td> </tr> <tr> <td>Apr 1</td> <td>Balance b/d</td> <td>850</td> <td>**</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p style="text-align: center;">Commission receivable account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 10%;"></th> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td></td> <td></td> <td></td> <td>2022</td> <td></td> <td></td> </tr> <tr> <td>Apr 1</td> <td>Balance b/d</td> <td>700</td> <td>(1)</td> <td>Mar 31</td> <td>Bank</td> <td>7 200 (1)</td> </tr> <tr> <td>2022</td> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td>630</td> </tr> <tr> <td>Mar 31</td> <td>Income statement</td> <td>7 130</td> <td>(1) OF</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>7 830</u></td> <td></td> <td></td> <td></td> <td><u>7 830</u></td> </tr> <tr> <td>Apr 1</td> <td>Balance b/d</td> <td>630</td> <td>** (1)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p style="text-align: center;"><b>For both</b></p>	Date	Details	\$		Date	Details	\$	2021				2022			Apr 1	Balance b/d	2 500	(1)	Mar 31	Bank	600 (1)	2022					Income statement	16 350 (1) OF	Mar 31	Bank	15 300	(1)		Balance c/d	850			<u>17 800</u>				<u>17 800</u>	Apr 1	Balance b/d	850	**				Date	Details	\$		Date	Details	\$	2021				2022			Apr 1	Balance b/d	700	(1)	Mar 31	Bank	7 200 (1)	2022					Balance c/d	630	Mar 31	Income statement	7 130	(1) OF						<u>7 830</u>				<u>7 830</u>	Apr 1	Balance b/d	630	** (1)				<b>8</b>
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3(c)	<p>Ensures the correct amount of revenue and expenses for the period are entered in the income statement (1)</p> <p>Ensures that the revenue and expenses are not under or over -stated (1)</p> <p>Ensures that the profit for the year is correctly calculated/is not over or under-stated (1)</p> <p>Ensures that profitability ratios can be relied upon/more accurate decision-making (1)</p> <p><b>Max (3)</b></p>	<b>3</b>																																																																																																		

Question	Answer	Marks																								
3(d)(i)	$\$3000 \times 25\% = \$750$ <b>(1)</b>	<b>1</b>																								
3(d)(ii)	$\$2250 \times 2\% = \$45$ <b>(1)</b>	<b>1</b>																								
3(d)(iii)	$(\$3000 - \$750) = \$2250$ $\$2250 - \$45 = \$2205$ <b>(1) OF</b>	<b>1</b>																								
3(e)	<p>Discount allowed</p> <table border="1" data-bbox="752 485 1525 683"> <thead> <tr> <th></th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>gross profit</td> <td></td> <td></td> <td>✓ <b>(1)</b></td> </tr> <tr> <td>profit for the year</td> <td></td> <td>✓ <b>(1)</b></td> <td></td> </tr> </tbody> </table> <p>Discount received</p> <table border="1" data-bbox="752 783 1525 981"> <thead> <tr> <th></th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>gross profit</td> <td></td> <td></td> <td>✓ <b>(1)</b></td> </tr> <tr> <td>profit for the year</td> <td>✓ <b>(1)</b></td> <td></td> <td></td> </tr> </tbody> </table>		increase	decrease	no effect	gross profit			✓ <b>(1)</b>	profit for the year		✓ <b>(1)</b>			increase	decrease	no effect	gross profit			✓ <b>(1)</b>	profit for the year	✓ <b>(1)</b>			<b>4</b>
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Question	Answer					Marks
4(a)	C Limited Statement of Changes in Equity for the year ended 31 August 2022					<b>7</b>
	Details	Share Capital \$	General reserve \$	Retained earnings \$	Total \$	
	On 1 September 2021	240 000	36 000	22 000	298 000	<b>(1) row</b>
	Profit for the year			20 000	20 000	<b>(1) row</b>
	Dividend paid (final)			(12 000)	(12 000)	<b>(1) row</b>
	Dividend paid (interim)			(9 600) <b>(1)</b>	(9 600) <b>(1)OF</b>	<b>(1) row</b>
	Transfer to general reserve		11 000	(11 000)		<b>(1) row</b>
	On 31 August 2022	240 000	47 000	9 400	296 400	<b>(1) OF row</b>

Question	Answer	Marks
4(b)	$\frac{23\,000 \text{ (1)}}{296\,400 \text{ (1) OF} + 60\,000 \text{ (1)}} \times \frac{100}{1} = 6.45\% \text{ (1) OF}$	4
4(c)(i)	$\frac{20\,000}{310\,000} \times \frac{100}{1} \text{ (1) whole formula} = 6.45\% \text{ (1) OF}$	2
4(c)(ii)	Increase the gross margin (1) Reduce expenses (1) Increase other income (1) <b>Max (2)</b>	2
4(d)	<p><b>Option 1 – issue debentures</b>            Annual interest will have to be paid (1)            Interest has to be paid irrespective of profit (1)            Are a long term liability/must be repaid (1)            Are paid before ordinary shareholders in event of winding up (1)            Debenture holders are not members of the company (1)            Debenture holders may require security/have claim on non-current assets in case of non-repayment (1)  <b>Accept other valid points</b>  <b>Max (2)</b></p> <p><b>Option 2 – issue additional ordinary shares</b>            Have to consider if all the extra shares can be sold (1)            Shareholders will expect to receive a dividend (1)            Share dividend is not fixed and may depend on the level of profits (1)            Last to be paid in event of winding up (1)            May dilute current shareholders control / Carry same voting rights as existing shareholders (1)  <b>Accept other valid points</b>  <b>Max (2)</b></p> <p><b>Recommendation (1)</b></p>	5

Question	Answer	Marks												
5(a)	<p style="text-align: center;">NT General Journal</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 45%;">Details</th> <th style="width: 15%;">Debit</th> <th style="width: 25%;">Credit</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td style="text-align: center;">\$</td> <td style="text-align: center;">\$</td> </tr> <tr> <td style="text-align: center;">May 5</td> <td>Irrecoverable debts LW Account written off as irrecoverable (1)</td> <td style="text-align: center;">600 (1)</td> <td style="text-align: center;">600 (1)</td> </tr> </tbody> </table>	Date	Details	Debit	Credit			\$	\$	May 5	Irrecoverable debts LW Account written off as irrecoverable (1)	600 (1)	600 (1)	<b>3</b>
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		\$	\$											
May 5	Irrecoverable debts LW Account written off as irrecoverable (1)	600 (1)	600 (1)											
5(b)	<p style="text-align: center;">NT Extract from income statement for the year ended 31 August 2021</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 50%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Irrecoverable debts (600 + 4100)</td> <td style="text-align: center;">4 700 (1)</td> </tr> <tr> <td>Provision for doubtful debts (91 500 × 5%)</td> <td style="text-align: center;">4 575 (1)</td> </tr> </tbody> </table>		\$	Irrecoverable debts (600 + 4100)	4 700 (1)	Provision for doubtful debts (91 500 × 5%)	4 575 (1)	<b>2</b>						
	\$													
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Question	Answer	Marks												
5(c)	<p style="text-align: center;">NT</p> <p style="text-align: center;">Extract from statement of financial position at 31 August 2021</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Current assets**</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 40%;"></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">91 500</td> <td></td> </tr> <tr> <td>Less Provision for doubtful debts</td> <td style="text-align: right;">4 575</td> <td style="text-align: right;"><b>(1) OF</b></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">86 925</td> <td style="text-align: right;"><b>OF ** (1) For heading + OF total</b></td> </tr> </table>	Current assets**	\$		Trade receivables	91 500		Less Provision for doubtful debts	4 575	<b>(1) OF</b>		86 925	<b>OF ** (1) For heading + OF total</b>	<b>2</b>
Current assets**	\$													
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Less Provision for doubtful debts	4 575	<b>(1) OF</b>												
	86 925	<b>OF ** (1) For heading + OF total</b>												



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Question	Answer						Marks
5(d)	NT Ledger accounts						<b>8</b>
	PB account						
	Date 2022	Details	\$	Date 2022	Details	\$	
	*	Balance b/d	7 000	July 17	Bank	2 500 } (1)	
					Irrecoverable debts	4 500 }	
			<u>7 000</u>			<u>7 000</u>	
	Irrecoverable debts account						
	Date 2022	Details	\$	Date 2022	Details	\$	
	July 17	PB	4 500 (1) OF	Aug 31	Income statement	12 900 (1) OF	
	Aug 31	Trade receivables/ debts written off	8 400 (1)				
			<u>12 900</u>			<u>12 900</u>	
	Provision for doubtful debts account						
	Date 2022	Details	\$	Date 2021	Details	\$	
	Aug 31	Balance c/d	5 500	Sep 1	Balance b/d	4 575 (1) OF	
				2022	Income statement	925 (1) OF	
			<u>5 500</u>	Aug 31		<u>5 500</u>	
				Sep 1	Balance b/d	5 500 (1)	
	* No specific date specified						
	<b>+ (1) Dates</b>						

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
5(e)	<p><b>Option 1 – charge interest</b>  Customers may go elsewhere/competitors may offer better terms/sales may decrease (1)  Customers may not be prepared to pay the interest (1)  May damage relationship with customers (1)  Customers may pay on time/may be encouraged to pay on time to avoid interest charges (1)  Profit/income will be increased because of interest received (1)  Increase in administration costs (1)  <b>Accept other valid points</b>  <b>Max (2)</b></p> <p><b>Option 2 – stop supplies</b>  Overdue balances may never be paid and have to be written off (1)  Customers may go elsewhere/ competitors may offer better terms/sales may decrease (1)  May damage relationship with customers (1)  <b>Accept other valid points</b>  <b>Max (2)</b></p> <p><b>Recommendation (1)</b></p>	<b>5</b>