



Cambridge O Level

ACCOUNTING

7707/23

Paper 2 (Structured)

October/November 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 October/November 2023 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.

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)(i)	<p style="text-align: center;">Shakir Journal</p> <table border="1" 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: 15%;">Credit \$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td rowspan="6" style="vertical-align: top;">2023 1 Sep</td> <td>Motor vehicle</td> <td style="text-align: right;">9 500</td> <td></td> <td style="text-align: right;">}</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">1 240</td> <td></td> <td style="text-align: right;">} (1)</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">1 682</td> <td></td> <td style="text-align: right;">}</td> </tr> <tr> <td style="padding-left: 40px;">Latif</td> <td></td> <td style="text-align: right;">200</td> <td style="text-align: right;">}</td> </tr> <tr> <td style="padding-left: 40px;">Harrison</td> <td></td> <td style="text-align: right;">237</td> <td style="text-align: right;">} (1)</td> </tr> <tr> <td style="padding-left: 40px;">Capital</td> <td></td> <td style="text-align: right;"><u>11 985</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>12 422</u></td> <td style="text-align: right;"><u>12 422</u></td> <td></td> </tr> </tbody> </table>					Date	Details	Debit \$	Credit \$		2023 1 Sep	Motor vehicle	9 500		}	Inventory	1 240		} (1)	Bank	1 682		}	Latif		200	}	Harrison		237	} (1)	Capital		<u>11 985</u>	(1)			<u>12 422</u>	<u>12 422</u>		3
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Gross profit			<u>285 435</u>																																																																																									
			171 815 (1)OF																																																																																									

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Question	Answer	Marks
2(c)	<p>Advantages of stopping buying in finished goods Not dependent on supplier for ensuring continuity of supplies of goods/more control if produce own goods (1) May have more control over quality of goods produced in own factory (1) Would have more control over cost (1) May be more profitable/cheaper to produce and sell own goods (1) Not all manufacturing costs will increase in proportion to any increase in production (1) Currently a high proportion of purchases of finished goods are returned (1) Accept other valid points Max (3)</p> <p>Disadvantages of stopping buying in finished goods Increase in factory running costs/cost of production (1) May need to purchase additional machinery (1) May not be able to increase factory capacity by enough to meet demand (1) May not be able to meet increase in demand/if demand falls may have surplus capacity and increased inventory (1) Quality of goods purchased may be inferior (1) Accept other valid points Max (3)</p> <p>Recommendation (1)</p>	5

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Question	Answer						Marks																																				
3(a)	<p style="text-align: center;">Logan Inventory account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 10%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2022 Oct 1</td> <td>Balance b/d</td> <td style="text-align: right;">(1) 8 400</td> <td>2023 Sep 30</td> <td>Income statement</td> <td style="text-align: right;">(1) 8 400</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>8 400</u></td> <td></td> <td></td> <td style="text-align: right;"><u>8 400</u></td> </tr> <tr> <td>2023 Sep 30</td> <td>Income statement</td> <td style="text-align: right;">(1) 8 675</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						Date	Details	\$	Date	Details	\$	2022 Oct 1	Balance b/d	(1) 8 400	2023 Sep 30	Income statement	(1) 8 400			<u>8 400</u>			<u>8 400</u>	2023 Sep 30	Income statement	(1) 8 675				3												
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Question	Answer	Marks
3(d)(i)	Inventory is valued at the lower of cost and net realisable value (1)	1
3(d)(ii)	The rent relating to the current year is transferred to the income statement (1) The total rent paid is adjusted for prepayments before transfer to the income statement (1) Max (1)	1
3(e)	<p>Advantages of buying premises using loan</p> <p>Would not have to pay rent (1)</p> <p>Will not be subject to future rent increases (1)</p> <p>May be cheaper in the long run (1)</p> <p>Property will be owned so can adapt to requirements/rent out etc. (1)</p> <p>Have several years to repay the loan (1)</p> <p>No further obligation after loan repaid (1)</p> <p>Over a period of time property may increase in value (1)</p> <p>Accept other valid points</p> <p>Max (3)</p> <p>Disadvantages of buying premises using loan</p> <p>Have to pay interest on loan (1)</p> <p>Loan must be repaid when due (1)</p> <p>Loan would probably be secured on the property/assets may be at risk if loan not repaid (1)</p> <p>Will be responsible for maintenance of property (1)</p> <p>Percentage of interest on loan may increase (1)</p> <p>Accept other valid points</p> <p>Max (3)</p> <p>Recommendation (1)</p>	5

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Question	Answer							Marks	
4(c)	Error number	Error	Gross profit		Profit for the year		No effect		4
			+	–	+	–			
	1	<i>A credit purchase, \$112, from Jacques, had been debited twice to the purchases account.</i>		✓		✓			
	2	The wages account had been overcast by \$300.				✓		(1)	
	3	Cash received, \$75 from Savannah, a trade receivable, had only been entered in the cash book.					✓	(1)	
	4	The total of the sales returns journal for August 2023, \$198, had been credited to both the sales returns account and the purchases returns account.	✓		✓			(1)	
	5	A payment to Sophie, \$93, had been recorded as \$39 in Sophie's account.					✓	(1)	

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5(c)(i)	<p>The company provides a service rather than a product (1) The clients provide their own cleaning materials (1) Max (2)</p>	2																																																		

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Question	Answer	Marks																						
5(c)(ii)	There were no irrecoverable debts during the year/there are no irrecoverable trade receivables (1) There are very few trade receivables/trade receivables represent less than a week's revenue (1) Some customers are paying in advance (1) Max (2)	2																						
5(d)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="456 384 1137 450" style="text-align: center;">Issuing debentures</th> <th data-bbox="1137 384 1818 450" style="text-align: center;">Issuing ordinary shares</th> </tr> </thead> <tbody> <tr> <td data-bbox="456 450 1137 507">Annual interest is payable (1)</td> <td data-bbox="1137 450 1818 507">A dividend may be paid (1)</td> </tr> <tr> <td data-bbox="456 507 1137 564">Are a liability\are a loan\must be repaid (1)</td> <td data-bbox="1137 507 1818 564">Do not have to be repaid (1)</td> </tr> <tr> <td data-bbox="456 564 1137 673">If company is wound up they are repaid before ordinary shareholders (1)</td> <td data-bbox="1137 564 1818 673">If company is wound up they are repaid after debenture holders (1)</td> </tr> <tr> <td data-bbox="456 673 1137 778">Debenture holders are not members of the company/cannot vote (1)</td> <td data-bbox="1137 673 1818 778">Shares will carry same voting rights/rank equally as existing shares (1)</td> </tr> <tr> <td data-bbox="456 778 1137 884">Issue of debentures will not dilute the control of the existing ordinary shareholders (1)</td> <td data-bbox="1137 778 1818 884">May dilute control of existing shareholders (1) (if some purchase a greater proportion of shares)</td> </tr> <tr> <td data-bbox="456 884 1137 989">Interest is a fixed amount (1) (and so can be budgeted for)</td> <td data-bbox="1137 884 1818 989">Dividend is not fixed (and may depend on profit levels) (1)</td> </tr> <tr> <td data-bbox="456 989 1137 1094">Interest must be paid irrespective of profits (1)</td> <td data-bbox="1137 989 1818 1094">Directors they can decide on amount of dividend they will pay (1)</td> </tr> <tr> <td data-bbox="456 1094 1137 1200">May be secured on the non-current assets of the company (1)</td> <td data-bbox="1137 1094 1818 1200">May take longer to raise the funds (1)</td> </tr> <tr> <td data-bbox="456 1200 1137 1305">Issue may not raise adequate funds (1)</td> <td data-bbox="1137 1200 1818 1305">Issue may not raise adequate funds (1)</td> </tr> <tr> <td data-bbox="456 1305 1137 1327">Max (3)</td> <td data-bbox="1137 1305 1818 1327">Max (3)</td> </tr> </tbody> </table> <p data-bbox="322 1327 631 1366">Recommendation (1)</p>	Issuing debentures	Issuing ordinary shares	Annual interest is payable (1)	A dividend may be paid (1)	Are a liability\are a loan\must be repaid (1)	Do not have to be repaid (1)	If company is wound up they are repaid before ordinary shareholders (1)	If company is wound up they are repaid after debenture holders (1)	Debenture holders are not members of the company/cannot vote (1)	Shares will carry same voting rights/rank equally as existing shares (1)	Issue of debentures will not dilute the control of the existing ordinary shareholders (1)	May dilute control of existing shareholders (1) (if some purchase a greater proportion of shares)	Interest is a fixed amount (1) (and so can be budgeted for)	Dividend is not fixed (and may depend on profit levels) (1)	Interest must be paid irrespective of profits (1)	Directors they can decide on amount of dividend they will pay (1)	May be secured on the non-current assets of the company (1)	May take longer to raise the funds (1)	Issue may not raise adequate funds (1)	Issue may not raise adequate funds (1)	Max (3)	Max (3)	5
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