Cambridge O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

PRINCIPLES OF ACCOUNTS **7110/21**

Paper 2 Structured **October/November 2019**

MARK SCHEME

Maximum Mark: 120

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 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

Cambridge Assessment International Education

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.

Question	Answer	Marks
1(a)(i)	Stationery account	4

Date	Details	$	Date	Details	$
2018			2018		
Oct 1	Balance b/d	350			
Dec23	Walker	1200 }			
2019			2019		
June14	Walker	600 } **(1)both**	Sep 30	Income statement	1700 **(1)OF**
			Sep 30	Balance c/d	450
		2150			2150
Oct 1	Balance b/d	450			
		(1)			

Dates **(1)**

Question	Answer	Marks
1(a)(ii)	Rent receivable account <table><tr><td>Date</td><td>Details</td><td>$</td><td>Date</td><td>Details</td><td>$</td></tr><tr><td>2018</td><td></td><td></td><td>2018</td><td></td><td></td></tr><tr><td>Oct 1</td><td>Balance b/d</td><td>200</td><td>Oct 3</td><td>Bank</td><td>800}</td></tr><tr><td>2019</td><td></td><td></td><td>2019</td><td></td><td></td></tr><tr><td>Sep 30</td><td>Income statement</td><td>2400 **(1)OF**</td><td>Feb 5</td><td>Bank</td><td>800}</td></tr><tr><td></td><td></td><td></td><td>July 6</td><td>Bank</td><td>600} **(1) all three**</td></tr><tr><td></td><td></td><td>____</td><td>Sep 30</td><td>Balance c/d</td><td>400</td></tr><tr><td></td><td></td><td>2600</td><td></td><td></td><td>2600</td></tr><tr><td>Oct 1</td><td>Balance b/d</td><td>400</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>**(1)OF**</td><td></td><td></td><td></td></tr></table> Dates **(1)**	**4**
1(b)	General/nominal ledger **(1)**	**1**
1(c)	Current assets **(1)**	**1**

Question	Answer			Marks
1(d)	Transaction	Business document	Book of prime(original) entry	**10**
	Sold goods on credit to Yan.	*Sales invoice*	*Sales journal*	
	Paid wages by cheque.	Wages sheet / payroll register **(1)**	Cash book **(1)**	
	Goods sold on credit to Chow were returned.	Credit note **(1)**	Sales returns journal **(1)**	
	Purchased goods by cash.	Receipt **(1)**	Cash book **(1)**	
	Sold motor vehicle on credit.	Sales invoice **(1)**	General journal **(1)**	
	Purchase goods on credit from Mary.	Purchase invoice **(1)**	Purchases journal **(1)**	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Is an estimate of the loss in value of a non-current asset (1) over its expected working life. (1)</td><td>2</td></tr>
<tr><td>2(b)</td><td><table>
<tr><th>Yearly</th><th>Straight-line
$</th><th>Diminishing
(reducing) balance
$</th></tr>
<tr><td>2020</td><td>3500 }</td><td>6000 (1)</td></tr>
<tr><td>2021</td><td>3500 }</td><td>3000 (1)OF</td></tr>
<tr><td>2022</td><td>3500 }(1)</td><td>1500 (1)OF</td></tr>
</table></td><td>4</td></tr>
<tr><td>2(c)</td><td>The business will get equal usage (1) from the motor vehicle each year and therefore should charge equal depreciation (1).
Accept other valid points.</td><td>2</td></tr>
<tr><td>2(d)</td><td>The net book value (1) of the delivery vehicle will be closer to the market value (1) than the straight line method.
The profits will be more accurate. (1)
Max2
Accept other valid points.</td><td>2</td></tr>
<tr><td>2(e)</td><td>At the end of each year the closing valuation is compared with the opening valuation (1). The difference represents the depreciation for the year (1).
Accept other valid points.</td><td>2</td></tr>
<tr><td>2(f)</td><td>4400 – 2600 = 1800 – 225 (1) = 1575 – 900 = 675 loss (1)OF</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(g)	see table below	**6**

Account to be debited	$	Account to be credited	$
Disposal	4400 **(1)**	Office computer	4400 **(1)**
Provision for depreciation of office computer	2825 **(1)OF**	Disposal	2825 **(1)OF**
Bank	900 **(1)**	Disposal	900 **(1)**

Question	Answer	Marks
3(a)(i)	$252\,000 \times \frac{100}{140}$ **(1)** $= 180\,000$ **(1)**	2
3(a)(ii)	$130\,000 \times \frac{80}{100}$ = **(1)** 104 000 **(1)**	2
3(a)(b)	Primrose Garden Store Departmental Trading Account for the year ended 30 September 2019	8

	Plants	Tools
	$	$
Revenue	252 000	130 000
Less		
Cost of sales	(180 000) **(1)OF**	(104 000) **(1)OF**
	72 000 **(1)OF**	26 000) **(1)OF**
less		
Wages	(38 000)	(17 000) **(1) both**
Direct expenses	(3 780) **(1)**	(1 950) **(1)**
	(41 780)	(18 950)
Departmental profit	30 220	7 050 **(1)OF both**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Pension contributions (1)
Trade union subscriptions (1)
Social club contributions (1)
Donations to charities (1)
Health care (1)

Max 3
Accept other acceptable points</td><td>3</td></tr>
<tr><td>3(d)(i)</td><td>Wages account
<table>
<tr><td>Date</td><td>Details</td><td>$</td><td>Date</td><td>Details</td><td>$</td></tr>
<tr><td>2019</td><td></td><td></td><td>2019</td><td></td><td></td></tr>
<tr><td>30 Sep</td><td>Cash</td><td>3940 (1)</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Income tax</td><td>950 (1)</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Voluntary con</td><td>510 (1)</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table></td><td>3</td></tr>
<tr><td>3(d)(ii)</td><td>Income tax account
<table>
<tr><td>Date</td><td>Details</td><td>$</td><td>Date</td><td>Details</td><td>$</td></tr>
<tr><td>2019</td><td></td><td></td><td>2019</td><td></td><td></td></tr>
<tr><td>9 Oct</td><td>Bank</td><td>950 (1)</td><td>30 Sep</td><td>Wages</td><td>950 (1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table></td><td>2</td></tr>
</table>

Question	Answer	Marks
4(a)	(see table below)	**10**

	Workings	Answer
Cost of sales	$400\,000 \times \frac{100}{125}$ = **(1)**	\$320 000 **(1)**
Purchases	320 000 – 35 000 + 68 000 = **(1)** two correct elements	\$353 000 **(1)OF**
Percentage of gross profit to revenue (gross profit margin)	$\frac{\text{Gross profit}}{\text{Revenue}}$ $\frac{80\,000}{400\,000}$ **(1)** $\times 100$ =	20% **(1)OF**
Percentage of profit for the year to revenue (profit margin)	$\frac{\text{Profit for the year}}{\text{Revenue}}$ $\frac{28\,000}{400\,000}$ **(1)** $\times 100$ =	7% **(1)OF**
Return on capital employed (ROCE)	$\frac{28\,000 \textbf{ of}}{150\,000 + 50\,000}$ **(1)** $\times 100$ =	14% **(1)OF**

Question	Answer	Marks
4(b)	**Own figure rule applies.** **Percentage of gross profit to revenue** Lower percentage possibly due to high purchasing costs Increased competition Selling price reduction Lower mark-up **Percentage of profit for the year to revenue** Lower percentage due to higher expenses Lower gross profit Higher expenses **Return on capital employed** Lower return due to increase in bank loans Increase in capital Reduction in drawings 4 x **(1)** per valid point. Max 2 marks for any ratio.	**4**

Question	Answer	Marks
4(c)	see table below	**6**

	Effect on profit for the year			Accounting principle or concept not applied
	Increase	Decrease	No effect	
Value closing inventory at cost price plus mark up	✓			Historic cost
Remove provision for doubtful debts from financial statements	✓ **(1)**			Prudence **(1)**
Place a value on the satisfaction and loyalty of customers			✓ **(1)**	Money measurement **(1)**
Make **no** adjustment for expenses prepaid at year end		✓ **(1)**		Accruals/matching **(1)**

Question	Answer					Marks
5(a)	Feng Income Statement for the year ended 30 September 2019					20
			$		$	
	Revenue				326 000	
	Returns inwards				(4 300)	
					321 700 **(1)**	
	Inventory at 1 October 2018		30 000			
	Purchases135 000 + 1950	136 950 **(1)**				
	Carriage inwards		2 700	**(1)**		
			169 650			
	Inventory at 30 September 2019		(35 550)			
	Cost of sales				(134 100) **(1)+w**	
	Gross profit				187 600 **(1of)+w**	
	Other incomes					
	Rent receivable	14 500 + 1500			16 000 **(1)**	
	Profit on disposal				8 500 **(1)**	
					212 100	
	Carriage outwards		6 300	**(1)**		
	Wages and salaries		90 000	**(1)**		
	Motor vehicle expenses		11 250	**(1)**		
	Insurance	2 700 – 200	2 500	**(1)**		
	Bank interest		2 400	**(1)**		
	Electricity and water	6 050 + 750	6 800	**(1)**		
	Marketing expenses		17 300	**(1)**		
	General expenses		14 000	**(1)**		
	Bad debt		7 000	**(1)**		
	Increase provision for doubtful debts		500	**(1)**		
	Provisions for depreciation					
	Land and buildings		2 200	**(1)**		
	Motor vehicles		9 000	**(1)**		
	Fixtures and fittings		700	**(1)**		
					(169 950)	
	Profit for the year				42 150	

Question	Answer	Marks
5(b)	Feng Statement of Financial Position at 30 September 2019	**20**

Non-current assets	Cost	Accumulated depreciation	Net book value
	$$	$	$
Land and buildings	170 000	20 800	149 200 **(1)OF**
Motor vehicles	46 000 **(1)**	19 000	27 000 **(1)OF**
Fixtures and fittings	7 000	2 100	4 900 **(1)OF**
	223 000	41 900	81 100 **(1)OF**
Current assets			
Inventory		35 550 **(1)**	
Trade receivables (35 000 – 7000)	28 000 **(1)**		
Less Provision for doubtful debts	(1 400) **(1)OF**		
		26 600 **(1)OF**	
Other receivables 1500 **(1)** + 200 **(1)**		1 700	
Bank 27 450 **(1)** – 16 000 **(1)**		11 450	
			75 300
Total assets			256 400
Capital:			
Capital		160 000	
Plus Profit for the year		42 150 **(1)OF**	
		202 150	
Drawings		(25 000)	
			177 150 **(1)OF**
Non-current liabilities/Long term liabilities **(1)**			
6% loan			40 000 **(1)**
Current liabilities			
Trade payables 36 550 **(1)** + 1950 **(1)**	38 500		
Other payables	750 **(1)**		
			39 250
Total capital and liabilities			256 400

Alternative presentations accepted