
PRINCIPLES OF ACCOUNTS

7110/22

Paper 2 Structured

May/June 2018

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.

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This document consists of **9** 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 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																																																												
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2(b)	For all four errors there was double entry with a debit and credit entry (1) of equal value. (1)	2

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4(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Workings</th> <th style="text-align: center;">30 April 2018</th> </tr> </thead> <tbody> <tr> <td>Quick ratio (acid test ratio)</td> <td style="text-align: center;">$\frac{8500}{2000 + 6000} = \frac{8500}{8000}$ { (1)</td> <td style="text-align: center;">1.06:1 (1)OF</td> </tr> <tr> <td>Profit for the year to capital employed</td> <td style="text-align: center;">$\frac{7400}{20000 + 17000} \times 100$ { (1)of</td> <td style="text-align: center;">20.00% (1)OF</td> </tr> </tbody> </table>		Workings	30 April 2018	Quick ratio (acid test ratio)	$\frac{8500}{2000 + 6000} = \frac{8500}{8000}$ { (1)	1.06:1 (1) OF	Profit for the year to capital employed	$\frac{7400}{20000 + 17000} \times 100$ { (1)of	20.00% (1) OF	4																																
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4(c)(ii)	<p>Comment: Profit to the year to capital employed has improved (1)</p> <p>Reason: Lower expenses/higher profit Lower non-current liabilities Increased drawings</p> <p>(1) x 1 reason</p> <p>Accept other valid reasons.</p>																																										
4(d)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Proposal</th> <th colspan="3">Working capital (current ratio)</th> <th colspan="3">Profit for the year to capital employed</th> </tr> <tr> <th>increase</th> <th>decrease</th> <th>no effect</th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">✓</td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">3</td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td style="text-align: center;">4</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> </tbody> </table>	Proposal	Working capital (current ratio)			Profit for the year to capital employed			increase	decrease	no effect	increase	decrease	no effect	1	✓					✓	2	✓(1)			✓(1)			3		✓(1)			✓(1)		4			✓(1)			✓(1)	6
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Question	Answer	Marks
4(e)	Narrows the effect of difference and variation in accounting practice with other businesses Improves comparability to other businesses Improves reliability of financial statements Improves understandability of financial statements (1) x 1 reason Accept other valid points.	2

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