CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/22**

Paper 2 Structured Questions **October/November 2025**

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 October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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.

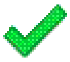
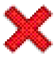
Annotations guidance for centres

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. **}***

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)	**Prepare a revised statement of profit or loss for the year ended 31 December 2024.** R Limited Revised statement of profit or loss for the year ended 31 December 2024 | | $ | | Revenue **W1** | 538 220 | **(3) OF** Cost of sales **W2** | (288 860) | **(2) OF** Gross profit | 249 360 | Distribution costs **W3** | (37 950) | **(4) OF** Administrative expenses **W4** | (62 290) | **(3) OF** Profit from operations | 149 120 | Finance costs **W5** | (17 540) | **(1)** Profit before taxation | 131 580 | Taxation | (18 000) | **(1)** Profit for the year | 113 580 | **(1) OF** **W1** $543 280 – goods at cost $4 200 **(1) –** sales returns $1600 **(1)** + purchases returns $740 = $538 220 **(1) OF** **W2** $292 400 – $2 800 **(1)** – purchases returns $740 = $288 860 **(1) OF** **W3** Correct depreciation of furniture and equipment: 10% × ($36 000 less first year depreciation $3 600) = $3 240 Incorrect depreciation 15% × $32 400 = $4 860 Adjustment required: $1 620	15

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>

	$	
Draft distribution cost	47 560	
Less prepaid marketing	(7 000)	**(1)** (14 000 × 8/16)
Less overstated depreciation	(810)	**(1)** (2 430–3 240)
Less wages and salaries correction	(1 800)	**(1)** (–18 000 + 16 200)
Revised cost	37 950	**(1) OF**

Marketing prepaid $14 000 × ½ = $7 000
Wages and salaries wrong allocation 2/3 × $27 000 = $18 000;
correct allocation 3/5 × $27 000 = $16 200
error overstated $1 800

W4

	$	
Draft admin expense	61 300	
Less overstated depreciation	(810)	**(1)** (2 430 – 3 240)
Add wages and salaries correction	1 800	**(1)** (–9 000 + 10 800)
Revised expense	62 290	**(1) OF**

Wages and salaries wrong allocation 1/3 × $27 000 = $9 000
correct allocation 2/5 × $27 000 = $10 800
error understated $1 800

W5
Loan interest charged was $2000
loan interest should have been 6% × 2/3 × $25 000 = $1 000
Correct finance costs $18 540 – $1 000 = $17 540 **(1)**
</td><td></td></tr>
</table>

Question	Answer	Marks
1(b)	**Complete the statement of changes in equity for the year ended 31 December 2024.**	8

R Limited
Statement of changes in equity at 31 December 2024

	Share capital $	Share premium $	General reserve $	Retained earnings $	Total $
At 1 January 2024	500 000 **(1)**	65 000	28 000	105 000	698 000
Final dividends (paid) **W1**				(25 000) **(1)OF**	(25 000)
Rights issue **W2**	200 000 **(1)**	50 000 **(1)**			250 000
Interim dividend (paid)**W3**				(28 000) **(1)**	(28 000)
Transfer to general reserve			50 000 **}**	(50 000) **}(1)**	–
Profit for the year				113 580 **(1) OF**	113 580
At 31 December 2024	700 000	115 000	78 000	115 580	1 008 580 **(1) OF column**

W1: Final Dividend = 250 000 shares × $0.10 = $25 000

W2: Rights issue = 2/7 × $700 000 = $200 000
Share premium = 100 000 × $0.50 = $50 000

W3 Interim Dividend =4% × $700 000 = $28 000

Question	Answer	Marks
1(c)	**Advise the directors which option they should choose. Justify your advice by discussing both financial <u>and</u> non-financial factors of <u>each</u> option.** Option A **(Max 4)** **For** Reducing inventory will reduce storage costs **(1)** (Reduced order size may have a (temporary)) positive impact on cashflow/reduce cash outflow (in the short term) **(1)** Less cash tied up in inventory **(1)** **Against** May lose (trade) discounts/be charged higher price **(1)** reducing profits **(1)** and would have a negative effect on liquidity **(1)** Reduced inventory levels may have a negative effect on customer demand/sales/customers switch to competitors **(1)** (May cause 'stock-outs') reducing revenue, profits and liquidity **(1)** Option B **(Max 4)** **For** Improved credit terms will improve liquidity **(1)** Regular deliveries may reduce risk of inventory wastage **(1)** Regular deliveries may result in less storage costs **(1)** Less likely to run out of inventory/easier to predict amount needed/react more quickly **(1)** **Against** Regular deliveries may increase (administration/carriage) cost **(1)** Reduced inventory levels may have a negative effect on customer demand/sales/customers switch to competitors **(1)** Will supplier prove reliable/be on time **(1)** Provide goods of same quality **1)** **Accept other valid responses** **Decision supported with a comment (1)**	**7**

Question	Answer	Marks
2(a)	**Explain why a positive balance is shown as a debit balance in a cash book and an overdrawn balance is also shown as a debit balance on a bank statement.** A positive balance in a cash book/for the business is an asset/owned by the business **(1)**; an overdrawn balance from the bank's point of view is also an asset **(1)**. **OR** Business has money/savings/cash in their bank account **(1)** and if the balance is overdrawn then the business owes money to the bank. **(1)**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Prepare an updated cash book at 31 January 2025. Dates are <u>not</u> required.

Cash book (bank columns)

	$			$	
Balance b/d	324		Bank charges	83	**(1)**
Ella	140	**(1)**	P Limited	238	**(1)**
Cash	30	**(1)**	P Limited	328	**(1)**
Balance c/d	<u>369</u>		Insurance	<u>214</u>	**(1)**
	<u>863</u>			<u>863</u>	
			Balance b/d	369	**(1) OF**

</td><td>7</td></tr>
<tr><td>2(c)</td><td>

Prepare a bank reconciliation statement at 31 January 2025.

Bank Reconciliation Statement at 31 January 2025

	$	
Balance as per bank statement	(160)	
Bank error	138	**(1)**
	(22)	
Unpresented cheques	(533)	**(1)**
Lodgements not yet credited	186	**(1)**
Balance as per (updated) cash book	(369)	**(1) OF**

</td><td>4</td></tr>
<tr><td>2(d)</td><td>

State <u>two</u> features of a direct debit.

The bank is authorised by the payee/payee controls the amount **(1)**
Regular/monthly payment from an account/used for recurring payments **(1)**
Automatically deducted from the individual's bank account/paid directly by bank/does not require constant approval by account holder **(1)**
The amount paid varies/not fixed amount **(1)**

Max 2

Accept other valid responses

</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)(i)</td><td>Calculate the balance of the provision for depreciation accounts at 31 December 2024 for <u>each</u> of the following categories of non-current assets.

Machinery

Machine 1: 20% × $45 000 × 3 = $27 000
Machine 2: 20% × $54 000 × ¾ = $8 100 (1)
Balance of provision account: $35 100 (1)</td><td>2</td></tr>
<tr><td>3(a)(ii)</td><td>Calculate the balance of the provision for depreciation accounts at 31 December 2024 for <u>each</u> of the following categories of non-current assets.

Motor vehicles

Year 2023: 36 000 × 25% = $9 000
Year 2024: 27 000 × 25% = $6 750 (1)
Balance of provision account: $15 750 (1)</td><td>2</td></tr>
<tr><td>3(b)</td><td>Prepare a journal entry to record the revaluation of the freehold property. A narrative is <u>not</u> required.

Journal

<table>
<tr><td>Date</td><td>Account</td><td>Dr
$</td><td>Cr
$</td><td></td></tr>
<tr><td>2025
Jan 1</td><td>(Freehold) Property (cost)</td><td>85 000</td><td></td><td>(1)</td></tr>
<tr><td></td><td>Provision for depreciation (of property) (1)</td><td>168 000
W1</td><td></td><td>(1)</td></tr>
<tr><td></td><td>Revaluation (reserve)</td><td></td><td>253 000</td><td>(1)</td></tr>
</table>

W1: Depreciation of property: 4 × 5% × $840 000 = $168 000</td><td>4</td></tr>
<tr><td>3(c)</td><td>Prepare the disposal account.

Disposal

<table>
<tr><td>Details</td><td>$</td><td></td><td>Details</td><td>$</td><td></td></tr>
<tr><td>Machinery cost</td><td>45 000</td><td>(1)</td><td>Machinery provision for depreciation</td><td>27 000</td><td>(1) OF</td></tr>
<tr><td>Statement of profit or loss</td><td>2 400</td><td>(1) OF</td><td>Bank</td><td>20 400</td><td>(1)</td></tr>
<tr><td></td><td>47 400</td><td></td><td></td><td>47 400</td><td></td></tr>
</table></td><td>4</td></tr>
</table>

Question	Answer	Marks
3(d)	**Explain, with reference to <u>one</u> accounting concept, why the suggestion should not be implemented.** Consistency concept **(1):** requires the same policy/methods/principle/techniques to be used from year to year **(1)** to ensure that results are capable of valid comparison **(1).** **Accept other valid responses.**	**3**

Question	Answer	Marks
4(a)	**Identify <u>two</u> features of absorption costing.** • Charges both variable and fixed costs/all costs (to each unit of production)/no need to separate fixed (and variable) costs **(1)** • Allocates costs (to cost centres) **(1)** • Requires apportionment of overheads (which cannot otherwise be allocated to cost centres) **(1)** • Useful for determining the selling price of a unit **(1)** • Recognised method for valuing inventory/required for financial statements/acceptable under IAS/IAS 2 or 1 **(1)** • Helps in long term decision making **(1)** • Based on the matching principle **(1)** • Will lead to over or under absorption of overheads **(1)** **Max 2** **Accept other valid responses**	**2**

Question	Answer	Marks
4(b)	**Prepare an absorption costing statement to show the profit for September 2024.**	6

	$	$	
Revenue/sales (2800 × $84)		235 200	**(1)**
Variable/direct costs (3200 × $56)	179 200		**(1)**
Fixed/indirect overheads	52 000		**(1)**
	231 200		
Less closing inventory **W1**	(28 900)		**(1)**
Cost of sales/cost of production/production		(202 300)	**(1) OF**
Profit for the month		32 900	**(1) OF**

W1 Closing inventory: $\frac{231\,200}{3\,200} \times 400 = \$28\,900$

Question	Answer	Marks
4(c)	**Explain why the profit for marginal costing is different to the profit for absorption costing.** The difference is due to the (valuation of closing) inventory **(1)** As a result of including fixed overheads/all costs in inventory valuation using absorption costing **(1)** Marginal costing measure inventory with only variable costs **(1)** For absorption fixed costs are absorbed into cost of sales **(1)** With a higher inventory value absorption costing gives a higher profit **(1)** **Max 2** **Accept other valid responses**	2

Question	Answer	Marks
4(d)	**Calculate the <u>total monthly</u> profit to be made if Option A is chosen.** Profit calculation See tables below.	**6**

	$	
Revenue 4 600 **W1** × $61	280 600	**(1)**
Less materials 4 600 × $17.50 **W2**	(80 500)	**(1)**
Less direct labour (normal working) 4 400 × $18	(79 200)	**(1)**
Less direct labour (overtime) **W3** 200 × 22.5	(4 500)	**(1)**
Less fixed costs **W4** (41 600 + 3 000)	(44 600)	**(1)**
Profit for the month	71 800	**(1) OF**

Alternative answer per unit:

Selling price (61 × 4 600)	**(1)**
Less materials (17.5 × 4 600)	**(1)**
Direct labour (18 × 4 400)	**(1)**
Overtime labour (22.5 × 200)	**(1)**
Fixed costs (3 000 + 8 × 5 200)	**(1)**
71 800	**(1)OF**

W1 New production level: 4 600 units
W2 New materials cost: full price $20 +25% = $25; new price per unit $17.50
W3 Overtime working: 200 units × ($18 × 125%), i.e. $22.50 per unit × 200 = $4 500
W4 Fixed costs ($32 000 + $9 600) + $3 000 =$44 600

Question	Answer	Marks
4(e)	**Prepare a marginal costing statement to show the <u>total monthly</u> profit to be made if Option B is chosen.**	**7**

Marginal costing statement for one month

	Wye	Zed	
	$	$	
Revenue/sales	244 000**}**	96 768**}**	**(1) both**
Direct materials	(80 000)**}**	(47 520)**}**	**(1) both**
Direct labour	(72 000)**}**	(31 680 **}**)	**(1) both**
Commission **W1**		(4 800)	**(1)**
Contribution	92 000**}**	12 768**}**	**(1) OF both**
Less fixed costs **W2**	(32 000)**}**	(8 300)**}**	**(1) both**
Profit for month	60 000	4 468	

Total profit for month: $64 468 **(1) OF**

	Total	
	$	
Revenue/sales	340 768	**(1)**
Direct materials	(127 520)	**(1)**
Direct labour	(103 680)	**(1)**
Commission **W1**	(4 800)	**(1)**
Contribution	104 768	**(1) OF**
Less fixed costs **W2**	(40 300)	**(1)**
Profit for month	64 468	**(1) OF**

Question	Answer	Marks
4(e)	**Alternative answer, per unit**	

	Wye	Zed	
	$	$	
Revenue/sales	(4 000 × 61)**}**	(1 440 × 67.20)}	**(1) both**
Direct materials	(4 000 × 20)**}**	(1 440 × 33)**}**	**(1) both**
Direct labour	(4 000 × 18)**}**	(1 440 × 22))**}**	**(1) both**
Commission **W1**		(4 800)	**(1)**
Contribution	92 000**}**	12 768**}**	**(1) OF both**
Less fixed costs **W2**	(32 000)**}**	(8 300)**}**	**(1) both**
Profit for month	60 000	4 468	

Total profit for month: $64 468 **(1) OF**

W1 Commission (1 200 × 3 = 3 600) + (240 × $5 = 1 200) = $4 800
W2 Fixed costs for Product Zed: $9 600 – $1 300 = $8 300

Question	Answer	Marks
4(f)	**Advise the directors which option they should choose. Justify your choice by discussing both financial <u>and</u> non-financial factors.** **Option A (Max 4)** **For** Produces more profit OF **(1)** Avoid redundancy (costs) by retraining employees **(1)** Larger trade discount which lowers material costs/cost of sales/increase profit **(1)** Workers become more efficient/specialised **(1)** **Against** Can additional production be sold **(1)** Will retained workforce be willing to work overtime/be re-trained? **(1)** Retraining cost ($3 000) increases (fixed) costs/reduces profit **(1)** May lose customers of Wye (who also bought Zed) **(1)** **Option B (Max 4)** **For** Ensures current customers for Zed retain their orders for this product and also for Wye **(1)** Retains current workforce so avoiding decline in morale **(1)** Increase in labour rate/using sales commission may motivate employees **(1)** Reduces the fixed cost of advertising **(1)** Sales/brand image may increase due to better quality **(1)** **Against** Will switch from advertising (to paying commission) be effective? **(1)** Will improvement in quality overcome decline in demand? **(1)** Increasing selling price may reduce demand **(1)** Will forecasts prove correct? = could be either option **(1)** **Accept other valid responses.** **Decision supported with a comment (1)**	**7**