
PRINCIPLES OF ACCOUNTS

7110/21

Paper 2 Structured

May/June 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 May/June 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U 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.

Question	Answer										Marks
1(a)	Cash Book										10
	Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank	
	2019			\$	\$			\$	\$	\$	
	Mar 1	Balance b/d		10		Mar 1	Balance b/d			35(1)	
	3	Sales		570 (1)		10	Wages		65	(1)	
	12	Cash			420 (1)	10	Gen expenses		19 (1)		
	30	Fred	15		285 (1)	12	Bank		420		
						18	Glover		(1)	40	
						20	Lou	10	(1)	240	
						25	Drawings	(1)	50	300	
						31	Balance c/d		<u>26</u>	<u>90</u>	
			<u>15</u>	<u>580</u>	<u>705</u>			<u>10</u>	<u>580</u>	<u>705</u>	
	April										
	1	Balance b/d		26	90						
					(1)OF						
				Both							
Marks for a date, suitable narrative, and correct numerical entry.											

Question	Answer	Marks																																								
1(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">as a ledger account only</td> <td style="width: 33%; text-align: center;">as a book of prime (original) entry only</td> <td style="width: 33%; text-align: center;">as a ledger account and a book of prime (original) entry</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">✓ (1)</td> </tr> </table>	as a ledger account only	as a book of prime (original) entry only	as a ledger account and a book of prime (original) entry			✓ (1)	1																																		
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		✓ (1)																																								
1(c)	Contra entry (1)	1																																								
1(d)	insufficient funds (1) cheque not signed (1) missing detail (1) cheque is 'stale' (1) Accept other valid points Max 2	2																																								
1(e)	To achieve prompt payment / payment within a specified period (1)	1																																								
1(f)	<p style="text-align: center;">Bank Reconciliation Statement at 31 March 2019</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">\$</td> <td style="text-align: right;">\$</td> <td></td> </tr> <tr> <td>Balance shown in bank statement</td> <td></td> <td style="text-align: right;">345</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Add Amounts not yet credited</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Fred</td> <td></td> <td style="text-align: right;">285</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">630</td> <td></td> </tr> <tr> <td>Less Cheques not yet presented</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Lou</td> <td style="text-align: right;">240</td> <td></td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td> Drawings</td> <td style="text-align: right; border-bottom: 1px solid black;">300</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">540</td> <td></td> </tr> <tr> <td>Balance shown in cash book</td> <td></td> <td style="text-align: right; border-bottom: 3px double black;">90</td> <td style="text-align: right;">(1)OF</td> </tr> </table>		\$	\$		Balance shown in bank statement		345	(1)	Add Amounts not yet credited				Fred		285	(1)OF			630		Less Cheques not yet presented				Lou	240		(1)OF	Drawings	300		(1)			540		Balance shown in cash book		90	(1)OF	5
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2(b)	1 Reversal (1) 2 Commission (1) 3 Original entry (1)	3																																										
2(c)	<p style="text-align: center;">Suspense account</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>30 April</td> <td>Difference on trial balance</td> <td style="text-align: right;">22 (1)OF</td> <td>30 April</td> <td>Sales</td> <td style="text-align: right;">90 (1)OF</td> </tr> <tr> <td></td> <td>Discount rec'd</td> <td style="text-align: right;">68 (1)OF</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">—</td> <td></td> <td></td> <td style="text-align: center;">—</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>90</u></td> <td></td> <td></td> <td style="text-align: right;"><u>90</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	30 April	Difference on trial balance	22 (1)OF	30 April	Sales	90 (1)OF		Discount rec'd	68 (1)OF						—			—			<u>90</u>			<u>90</u>													3
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Question	Answer					Marks
2(d)		Revenue expenditure	Revenue receipt	Capital expenditure	Capital receipt	4
	Purchased fuel for motor vehicle	✓				
	Paid for delivery of new motor vehicle			✓ (1)		
	Charged customer for hire of motor vehicle		✓ (1)			
	Sold old motor vehicle for scrap				✓ (1)	
	Paid insurance for motor vehicle	✓ (1)				

Question	Answer		Marks
3(a)			4
		Caden \$	Shen \$
	Assets		
	Goodwill	15 000 }	Nil
	Non-current assets	25 000 }	30 000 }
	Inventory	8 000 } (1)	14 000 }
	Trade receivables	5 400 }	1 600 } (1)
	Bank	–	1 500 }
	Liabilities		
	Trade payables	4 900	7 100
	Bank overdraft	3 500	–
		8 400	7 100
	Capital	45 000 (1)	40 000 (1) OF

Question	Answer	Marks
3(b)	Good reputation / customer base (1) Good location (1) Skilled staff (1) Product in demand (1) Accept other valid points Max 2	2
3(c)	Determines the allocation of responsibilities (1) Determines the apportionment of profits (1) Details share of capitals / interest on capital and drawings / agreed salaries of partners (1) Avoids disputes at a later date (1) Accept other valid points Max 1	1
3(d)	Capital account is fixed current account is fluctuating (1) Capital account not used for day to day transactions/ current account used for day to day transactions. (1) Capital account normally only varied by agreement between the partners /current account varies with the actions of individual partners. (1) Max 2	2

Question	Answer							Marks	
3(e)	Capital accounts							4	
	Date	Details	Caden	Shen	Date	Details	Caden		Shen
			\$	\$			\$		\$
	May				May				
	1	Goodwill	9 000 (1)	6 000 (1)	1	Balance	45 000		40 000
		Bal c/d	<u>36 000</u>	<u>34 000</u>			(1)OF Both		_____
			<u>45 000</u>	<u>40 000</u>			<u>45 000</u>		<u>40 000</u>
						Balance b/d	36 000		34 000
							(1)OF Both		

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3(f)	<p style="text-align: center;">Caden and Shen Appropriation Account for the year ended 30 April 2019</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 20%;"></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td></td> <td style="text-align: right;">13 120</td> <td></td> </tr> <tr> <td>Interest on drawings</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Caden</td> <td style="text-align: right;">760</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td> Shen</td> <td style="text-align: right;"><u>520</u></td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1 280</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">14 400</td> <td></td> </tr> <tr> <td>Interest on capital</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Caden</td> <td style="text-align: right;">1 440</td> <td style="text-align: right;">(1)OF</td> <td></td> <td></td> </tr> <tr> <td> Shen</td> <td style="text-align: right;">1 360</td> <td style="text-align: right;">(1)OF</td> <td></td> <td></td> </tr> <tr> <td>Salary</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Shen</td> <td style="text-align: right;">3 000</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>(5 800)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">8 600</td> <td></td> </tr> <tr> <td>Share of profit</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Caden</td> <td style="text-align: right;">5 160</td> <td style="text-align: right;">(1)OF</td> <td></td> <td rowspan="2" style="vertical-align: middle;">own figure if correct split</td> </tr> <tr> <td> Shen</td> <td style="text-align: right;"><u>3 440</u></td> <td style="text-align: right;">(1)OF</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>8 600</u></td> <td></td> </tr> </table>		\$		\$		Profit for the year			13 120		Interest on drawings					Caden	760	(1)			Shen	<u>520</u>	(1)						<u>1 280</u>					14 400		Interest on capital					Caden	1 440	(1)OF			Shen	1 360	(1)OF			Salary					Shen	3 000	(1)						<u>(5 800)</u>					8 600		Share of profit					Caden	5 160	(1)OF		own figure if correct split	Shen	<u>3 440</u>	(1)OF					<u>8 600</u>		7
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4(b)	<p>The revenue/sales have increased by over 50% there is the possibility of over trading. (1) The rate of turnover of inventory has also increased by 50%. Celia is selling goods at a faster rate (1) possibly because she has lowered her prices. (1) The inventory has increased reflecting the increased volume of sales (1). The bank is overdrawn and there are no funds to pay expenses or trade payables. (1) The working capital ratio has fallen significantly (1) and is below the accepted benchmark (1) The quick ratio has fallen (1) but is still within the benchmark (1)</p> <p>Accept other valid points Max 6</p>			6															

Question	Answer			Marks
4(c)		Workings	Answer \$	6
	Receipts from trade receivables in May 2019	85 000 +25 000 – 75 000= (1) If 2 elements correct	35 000 (1)	
	Payments made to trade payables in May 2019	90 000 + 7 500 – 84 000 = (1) If two elements correct	13 500 (1)	
	Bank balance at 31 May	(20 000) + 35 000 OF – 13 500 OF – 4 500 = (1) If three elements correct	(3 000) (1) Must indicate direction	

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5(a)	<p style="text-align: center;">Leo Income Statement for the year ended 31 March 2019</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>Revenue</td> <td></td> <td style="text-align: right;">475 000</td> </tr> <tr> <td>Inventory at 1 April 2018</td> <td style="text-align: right;">31 000 (1)</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>255 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">286 000</td> <td></td> </tr> <tr> <td>Returns outwards</td> <td style="text-align: right;"><u>(7 900) (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">278 100</td> <td></td> </tr> <tr> <td>Drawings of goods</td> <td style="text-align: right;"><u>(3 200) (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">274 900</td> <td></td> </tr> <tr> <td>Inventory at 30 March 2019</td> <td style="text-align: right;"><u>(26 400)</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(248 500) (1)</u></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">226 500 (1)w+of</td> </tr> <tr> <td>Other income:</td> <td></td> <td></td> </tr> <tr> <td>Commission receivable</td> <td style="text-align: right;">12 300 (1)</td> <td></td> </tr> <tr> <td>Decrease in provision for doubtful debts</td> <td style="text-align: right;"><u>1 800 (1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>14 100</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">240 600</td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;">87 000 (1)</td> <td></td> </tr> <tr> <td>Computer repairs (21 600 – 8 000 (1) + 2 100 (1))</td> <td style="text-align: right;">15 700</td> <td></td> </tr> <tr> <td>Rent and rates (22 750 + 2 000 (1) – 450 (1))</td> <td style="text-align: right;">24 300</td> <td></td> </tr> <tr> <td>Marketing expenses (12 600 – 350)</td> <td style="text-align: right;">12 250 (1)</td> <td></td> </tr> <tr> <td>Bank interest (2 100 + 500)</td> <td style="text-align: right;">2 600 (1)</td> <td></td> </tr> <tr> <td>Heat and light</td> <td style="text-align: right;">9 750 (1)</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">14 300 (1)</td> <td></td> </tr> <tr> <td>Bad debt</td> <td style="text-align: right;">4 000 (1)</td> <td></td> </tr> <tr> <td>Provisions for depreciation –</td> <td></td> <td></td> </tr> <tr> <td> Land and buildings</td> <td style="text-align: right;">1 500 (1)</td> <td></td> </tr> <tr> <td> Computer equipment</td> <td style="text-align: right;">7 200 (1)</td> <td></td> </tr> <tr> <td> Fixtures and fittings</td> <td style="text-align: right;"><u>1 200 (1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(179 800)</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u><u>60 800</u></u></td> </tr> </tbody> </table>		\$	\$	Revenue		475 000	Inventory at 1 April 2018	31 000 (1)		Purchases	<u>255 000</u>			286 000		Returns outwards	<u>(7 900) (1)</u>			278 100		Drawings of goods	<u>(3 200) (1)</u>			274 900		Inventory at 30 March 2019	<u>(26 400)</u>		Cost of sales		<u>(248 500) (1)</u>	Gross profit		226 500 (1)w+of	Other income:			Commission receivable	12 300 (1)		Decrease in provision for doubtful debts	<u>1 800 (1)</u>				<u>14 100</u>			240 600	Wages and salaries	87 000 (1)		Computer repairs (21 600 – 8 000 (1) + 2 100 (1))	15 700		Rent and rates (22 750 + 2 000 (1) – 450 (1))	24 300		Marketing expenses (12 600 – 350)	12 250 (1)		Bank interest (2 100 + 500)	2 600 (1)		Heat and light	9 750 (1)		General expenses	14 300 (1)		Bad debt	4 000 (1)		Provisions for depreciation –			Land and buildings	1 500 (1)		Computer equipment	7 200 (1)		Fixtures and fittings	<u>1 200 (1)</u>				<u>(179 800)</u>	Profit for the year		<u><u>60 800</u></u>	20
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