CAMBRIDGE
International Education

Cambridge O Level

ACCOUNTING **7707/21**

Paper 2 Structured **May/June 2026**

MARK SCHEME

Maximum Mark: 100

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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Social Sciences-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).

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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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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
✓	Indicates a point which is relevant and rewardable
✗	Indicates a point which is inaccurate/irrelevant and not rewardable
BOD	Used when the benefit of the doubt is given in order to reward a response
A	An extraneous figure or item in the statement
OF	Own figure
SEEN	Indicates that content has been recognised but not rewarded
REP	Indicates where content has been repeated.

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Question	Answer	Marks
1(a)		**11**

Reggie
Petty cash book

total received $	date 2026	details		total paid $	cleaning $	office expenses $	ledger accounts $
133	Apr 1	Balance b/d	**(1)**				
117		Bank	**(1)**				
	5	Greta	**(1)**	40			40
	9	Cleaning materials	**(1)**	16	16		
31	15	Awez	**(1)**				
	20	Postage	**(1)**	11		11	
	27	Wages	**(1)**	42	42		
	29	Printer paper	**(1)**	23		23	
			***(1)OF**	132	58	34	40
	30	Balance c/d		149			
281				281			
149	May 1	Balance b/d	**(1)OF**				

(1) dates
***(1) OF totalling analysis column and total paid column**

Guidance
- 9 April ‘cleaning’ instead of ‘cleaning materials is not acceptable
- 27 April ‘wages of cleaner’ instead of ‘wages’ is acceptable. However, just ‘cleaner’ is not acceptable.
- 29 April ‘stationery’ or ‘paper’ instead of ‘printed paper’ is acceptable

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Question	Answer	Marks
1(b)	$ Balance on bank statement 982 Add uncredited deposit 450 **(1)** 1 432 Less unpresented cheque 390 **(1)** 1 042 Restoration of petty cash 117 **(1) OF** Cash book balance 1 159 **(1) OF** **Accept alternative presentation**	**4**
	Guidance • For marking purposes, labels for figures have been ignored and the relationship between figures has been given importance. • The response should have a starting point, otherwise **(0)** marks • If the response uses an incorrect figure for the starting point, it may get marks for individual items but will not get **OF** mark. • If the response starts with minus 982, it may get marks for individual items, provided they are treated correctly on a minus starting figure, but **(0) OF** answer • If the response treats the item incorrectly, it can still get **OF** answer • Restoration of petty cash of 250 gets **(1) OF** if it is **OF** from **1(a)** on 1 April; otherwise **(0)** for that item	

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Question	Answer	Marks
1(c)	**Advantages** Less cash kept on the premises/safer/less risk of theft or fraud **(1)** Less time spend going to bank/counting money **(1)** Easier to transfer money/ easier to keep track of transactions **(1)** Bank transfers may be quicker **(1)** More convenient for customers/suppliers / improve relationship with customers/suppliers **(1)** **Accept other valid points** **Max (3)** **Disadvantages** Some customers/suppliers may prefer cash/ damage relationship with customers **(1)** Some customers/suppliers may not have a bank account **(1)** Bank charges may increase **(1)** Useful to keep cash for unexpected expenses **(1)** The cleaner may prefer to receive wages in cash **(1)** **Accept other valid points** **Max (3)** **Max (4)** **Recommendation (1)**	**5**
	Guidance • Need one point for and one against to be awarded the mark for recommendation • For converse comments, award **(1)** not **(2)** marks • A comment on the relationship must be expanded to get the mark	

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Question	Answer	Marks
2(a)		**3**

	$		$	
Cash at bank	1 715	}		
Subscriptions accrued	400	}**(1)**		
Rent prepaid	1 200	}		
Coffee shop inventory	390	}	3 705	
Subscriptions prepaid			720	**(1)**
Accumulated fund			2 985	**(1)OF**

Guidance

- For marking purposes, labels for figures have been ignored and the relationship between figures has been given importance.
- Any format of presentation is acceptable for marking
- If one asset is omitted, the answer can get **OF**
- If the answer is 3625 (treating subscriptions in advance as asset and subscriptions owing as liability) a total of **(2)** marks may be awarded
- If the answer omits one asset and treats subscriptions in advance as asset and subscriptions owing as liability, **(1) OF** mark may be awarded for the answer

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Question	Answer	Marks
2(b)	Hi Notes Music Club Subscriptions account	**6**

Date	Details		$	Date	Details		$
2025				2025			
Apr 1	Balance b/d	**(1)**	400	Apr 1	Balance b/d	**(1)**	720
2026				2026			
Mar 31	Income and expenditure	**(1)OF**	16 320	Mar 31	Bank/Cash	**(1)**	16 160
					Balance c/d		480
	Balance c/d		640				17 360
			17 360				
2026				2026			
Apr 1	Balance b/d	**(1)**	480	Apr 1	Balance b/d	**(1)**	640

Guidance
- Dates may be ignored when awarding marks
- Accept either ‘bank’ or ‘cash’, but not ‘cash at bank’ as a label
- The transfer to Income and Expenditure must be on the debit side and no figures inessential to the account should be included

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Question	Answer	Marks
2(c)	Hi Notes Music Club Coffee shop income statement for the year ended 31 March 2026 $ $ Revenue 14 760 **(1)** Less Cost of sales Opening inventory 390 Purchases 5 395 5 785 Less Closing inventory 375 5 410 **(1)** Coffee shop wages 2 800 **(1)** 8 210 Profit for the year 6 550 **(1) OF**	**4**
	Guidance • Accept 'net profit' instead of 'profit for the year' as the label	

Question	Answer	Marks
2(d)	Hi Notes Music Club Income and expenditure account for the year ended 31 March 2026 $ $ Income Subscriptions 16 320 **(1) OF** Profit on coffee shop 6 550 **(1) OF** 22 870 Expenditure Club rent and insurance (13 467 + 1 200**(1)** – 1 800**(1)**) 12 867 General expenses 4 348 17 215 Surplus for the year 5 655 **(1) OF**	**5**
	Guidance • 'Coffee shop' instead of 'Profit on coffee shop' is not an acceptable label • If 'profit on coffee shop 'is referred to as 'surplus' in **2(c)**, the OF mark should be given if the 6550 still has the label of 'surplus' • Rent and Insurance: 14 667 = **(1)** 11 667 = **(1)** 16 467 = **(1)** 10 467 = **(1)** 14 067 = **(0)** • Must include general expenses to get **OF** surplus mark • Just 'surplus' instead of 'surplus for the year' is acceptable.	

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Question	Answer	Marks
2(e)		2

	$	$	
Accumulated fund at start		2 985	**OF**
Add Surplus for the year		5 655	**OF**
Accumulated fund at end		8 640	**(2)OF**

Or

Cash at bank	6 625		
Subscriptions in arrears	480		
Rent prepaid	1 800		
Coffee shop inventory	375	9 280	
Subscriptions prepaid		640	
Accumulated fund at end		8 640	**(2)CF/(1)OF**

Guidance

Both versions –

- For marking purposes, labels for figures have been ignored and the relationship between figures has been given importance.
- Accept any format of presentation of the answer

Version 1

- 2985 = **(1) OF** answer only if no inessential figures are included
- 5655 = **(1) OF** answer only if no inessential figures are included

Version 2

- If one asset is omitted, the answer can get **(1) OF**
- If one liability is omitted, the answer can get **(1) OF**
- If the response is 3625 (treating subscriptions in advance as asset and subscriptions owing as liability) a total of **(2)** marks may be awarded
- If the response treats subscriptions in advance as asset and subscriptions owing as liability, **(1) OF** may be awarded for the answer of 8960
- If the response omits one asset and treats subscriptions in advance as asset and subscriptions owing as liability, **(0)** marks are awarded

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Question	Answer	Marks
3(a)	Yasmin and Zafran Rent expense account	**4**

Date	Details		$	Date	Details		$
2025				2026			
Apr 1	Balance b/d	**(1)**	700	Mar 31	Income statement	**(1)**	8 400
2026							
Mar 31	Bank/Cash	**(1)**	6 300				
	Balance c/d		1 400				
			8 400				8 400
				2026			
				Apr 1	Balance b/d	**(1)OF**	1 400

Guidance

- For marking purposes, dates have been ignored and the relationship between figures has been given importance.
- ‘Cash’, ‘Bank’, ‘Cash/bank’ are acceptable labels but ‘Cash book’ is not an acceptable label
- **OF** Balance b/d can be on either side
- If the closing balance b/d is 700 (instead of being shown as opening balance), **(1) OF** is awarded but if both balances are the same, mark only for the opening item is awarded

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Question	Answer	Marks
3(b)	**Points for** No more rent would need to be paid / may be cheaper than renting **(1)** The business will own the property **(1)** No further liability after loan repaid **(1)** The business would not be subject to rent increases **(1)** **Accept other valid points** **Max (3)** **Points against** Loan has to be repaid **(1)** Interest will be charged **(1)** Lender may require security **(1)** Lender may refuse to grant the loan **(1)** **Accept other valid points** **Max (3)** **Max (4)** **Recommendation (1)**	**5**
	Guidance • Need one point for and one against to be awarded the mark for recommendation • Converse comments are awarded max **(1)** not **(2)** marks	

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Question	Answer	Marks
3(c)	Yasmin and Zafran Yasmin current account	**7**

Date	Details		$	Date	Details		$
2026				2025			
Mar 31	Drawings	**(1)**	18 000	Apr 1	Balance b/d		2 900
	Interest on drawings	**(1)**	900	2026			
	Balance c/d		6 710	Mar 31	Interest on loan	**(1)**	2 250
					Interest on capital	**(1)**	1 260
					Salary		8 000
					Profit share	**(1)**	11 200
			25 610				25 610
				2026			
				Apr 1	Balance b/d	**(1)OF**	6 710

(1) Dates

Guidance
- ‘Profit’ or ‘profit for the year’ are acceptable labels for ‘profit share’
- **OF** Balance b/d can be on either side
- No **OF** balance mark is awarded if there are extraneous items included in the account
- The figures 2900 and 8000 should be included in the account to get the **OF** balance mark

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Question	Answer	Marks
3(d)	Yazmin and Zafran Statement of Financial Position (extract) as at 31 March 2026 **Either** Yasmin $ / Zafran $ / Total $ Capital accounts 42 000 **(1)** / 35 000 **}(1)** / 77 000 6 710 **(1)OF** / 5 600 **}** / 12 310 Current account 48 710 / 40 600 / 89 310 **(1)OF** **Or** $ / $ Yasmin Capital account 42 000 **(1)** Current account 6 710 **(1)OF** / 48 710 Zafran Capital account 35 000 **}(1)** Current account 5 600 **}** / 40 600 89 310 **(1)OF** **Or** $ / $ Capital account Yasmin 42 000 **(1)** Zafran 35 000 ***** / 77 000 Current account Yasmin 6 710 **(1)OF** Zafran 5 600 ***(1)both** / 12 310 89 310 **(1)OF**	**4**
	Guidance • No **OF** mark is awarded for total if there are extraneous items in the account • The account must have two distinct accounts for each partner • If there are no names of the partners, only award a mark for the **OF** total provided it shows a capital a/c and current a/c for each partner. Extraneous items should not be included. • Initials instead of names of partners are acceptable for marking purposes	

Question	Answer	Marks
4(a)	Sally Journal	**5**

Date 2026	Details	Debit $	Credit $
Feb 28	Provision for depreciation on motor vehicles Income statement Correction to the depreciation charge on motor vehicles **(1)**	1 512 **(1)OF**	1 512 **(1)OF**

Workings Total depreciation for two years to 28 Feb 2025 Year 1 21 000 × 20% 4 200
2 (21 000 – 4200) × 20% 3 360

Depreciation for year ended 28 Feb 2026 should be (21 000 – 7560) × 20% 2 688 **(1)**

Depreciation overstated by (4200 – 2688) = 1 512 **(1)**

Guidance
- Debit entry must show the full name of the asset, that is, provision for depreciation on motor vehicles
- Allow a credit entry to the depreciation on motor vehicles a/c (not just depreciation a/c)
- A narrative mark could still be awarded if entries were incorrect.
- If there is 1512 in calculation or in actual journal, award **(2)** marks
- If it the figure 1512 has not been shown but the figure of 2 688 appears in the answer, award **(1)** mark
- Allow **OF** marks in the journal, provided there are correct account names and they have matching figures

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Question	Answer	Marks
4(b)	Sally Journal	**8**

Error number	Details	Debit $	Credit $
1	Rent expense Rental income	620 **(1)**	 620 **(1)**
2	Sales Purchases	900 **(1)**	 900 **(1)**
3	Wages Drawings	170 **(1)**	 170 **(1)**
4	Motor expenses Bank/Cash	369**(1)**	 369 **(1)**

Guidance

- Error 1
  Rent expense – allow ‘Rent paid’ or ‘Rent payable’ not just ‘Rent’
  Rental income – allow ‘Rent receivable’ or ‘Rent received’ not just ‘Rent’
- Error 4 – accept either ‘Cash’ or ‘Bank’ or ‘Cash/bank’
- Where suspense a/c has been used for items 1 and 2, marks are awarded provided it has results in correct debit and credit in the named accounts

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Question	Answer	Marks
4(c)	$ Original profit for the year 11 750 Depreciation overcharged 1 512 **(1)OF** Wages omitted (170) **(1)** Motor expenses understated (369) **(1)OF** Profit for the year after correcting errors 12 723 **(1)OF**	**4**
	Guidance • For marking purposes, labels have been ignored and the relationship between figures has been given importance. • No **OF** answer mark if there are extraneous items in the calculation	
4(d)(i)	Error of commission **(1)**	**1**
4(d)(ii)	Compensating error **(1)**	**1**
4(e)	Realisation **(1)**	**1**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)</td><td>
<table>
<tr><th>Ratio</th><th>Workings</th><th>Answer</th></tr>
<tr><td>rate of inventory turnover (times) (to two decimal places)</td><td>$\frac{(4\,620 + 93\,460 - 4\,156)}{(4\,620 + 4\,156)/2}$
$= \frac{93\,924}{4\,388}$ (1) (1)</td><td>21.40 times (1)OF</td></tr>
<tr><td>trade receivables turnover days (round up to next whole day)</td><td>$\frac{13\,920}{130\,844} \times 365$ (1) whole formula</td><td>39 days (1)OF</td></tr>
<tr><td>trade payables turnover days (round up to next whole day)</td><td>$\frac{9\,200}{93\,460} \times 365$ (1) whole formula</td><td>36 days (1)OF</td></tr>
<tr><td>current ratio (to two decimal places)</td><td>(4 156 + 13 920) : (9 200 + 2 254)
= 18 076 : 11 454 (1) whole formula</td><td>1.58:1 (1)OF</td></tr>
<tr><td>liquid (acid-test) ratio (to two decimal places)</td><td>$\frac{13\,920}{11\,454}$ (1) whole formula</td><td>1.22:1 (1) OF</td></tr>
</table>
</td><td>11</td></tr>
<tr><td>5(a)</td><td>
Guidance

No marks are awarded if the formula is inversed.
If the response uses the wrong symbol, e.g. 21.40%, no OF answer mark is awarded
The answer does not need ‘times’ or ‘days’ as these are given in the question. However, it does need ‘:1’ in the last two ratios
If the response treats inventories wrong way round, then (0) marks for the numerator but it can get the denominator mark and OF
If the response uses ‘average trade receivables’ and ‘trade payables’, the formula is incorrect so (0) marks for calculation and (0) marks for the answer
If the response includes opening trade receivables and opening trade payables these are to be treated as extraneous items

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

Question	Answer	Marks
5(b)(i)	Prudence **(1)** **Or** Matching **Or** Accruals **(1)**	**1**
5(b)(ii)	Some trade receivables will not pay their accounts **(1)** Profit will be more accurate **(1)** Current assets/trade receivables will be more accurate **(1)** **Accept other valid points** **Max (1)**	**1**
	Guidance • 'To have estimate of irrecoverable debts' is a valid response • 'Reduce loss due to irrecoverable debts' is not an acceptable response	
5(c)	Trade receivables are taking an extra nine days (**OF**) / extra days to pay / paying after 30 days / slower to pay **(1)** Late payment by trade receivables could cause cash flow problems **(1)** Increased risk of irrecoverable debts **(1)** Trade payables have to wait an extra six days (**OF**) / taking extra days to pay / paying after 30 days / slower to pay **(1)** Cash discount not available if pay late **(1)** Possibility trade payables charging interest / refusing further supplies **(1)** Relying on trade receivables paying before can pay trade payables **(1)** **Accept other valid points** **Max (2)**	**2**
	Guidance • The comments are to be relevant to **OF** answer in **5(a)**	

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Question	Answer	Marks
5(d)	**Points for** Large amount of cash received immediately **(1)** Can pay off some of the outstanding trade payables **(1)** May receive cash discount from trade payables **(1)** Improve relationship with trade payables / will continue to supply **(1)** Reduce interest charged by trade payables **(1)** Motor expenses should decrease **(1)** **Accept other valid points** **Max (3)** **Points against** Proceeds of sale are not enough to pay the trade payables in full **(1)** Will not be able deliver goods to customers / may damage relationship with customers **(1)** May incur carriage outwards charges **(1)** External distributor may not be reliable **(1)** This not a permanent solution to cash flow problem **(1)** Trade payables may charge interest **(1)** **Accept other valid points** **Max (3)** **Max (4)** **Recommendation (1)**	**5**
	Guidance • Need one point for and one against to be awarded the mark for recommendation • Converse comments are awarded max **(1)** not **(2)** marks	

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