CAMBRIDGE
International Education

Cambridge O Level

ACCOUNTING **7707/22**

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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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
	Used when the benefit of the doubt is given in order to reward a response
	An extraneous figure or item in the statement (referred to as ‘Aliens’ in the Guidance Notes)
	Own figure
	Indicates that content has been recognised but not rewarded
	Indicates where content has been repeated.

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Question	Answer	Marks
1(a)(i)	Saleh Sales account Date 2026 / Details / $ / Date 2026 / Details / $ Mar 31 Income statement **(1)OF** 89 130 Mar 1 Balance b/d 82 095 31 Credit sales for month **(1)** 5 750 31 Bank **(1)** 1 285 89 130 / 89 130	**3**
	Guidance • For marking purposes, ignore dates • Income Statement must be on the debit side • No marks should be awarded if items extraneous to the account have been included. • 'Total for the month / Sales for the month / Total from the sales journal / Sales journal' are acceptable labels for 'Credit sales for the month' but 'Credit sales / Sales / Total / Trade receivables' are not acceptable • Accept daybook as an alternative to journal	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(ii)</td><td>
Saleh
Sales returns account
<table>
<tr><th>Date
2026</th><th>Details</th><th>$</th><th>Date
2026</th><th>Details</th><th>$</th></tr>
<tr><td>Mar 1</td><td>Balance b/d</td><td>3 460</td><td>Mar 31</td><td>Income statement (1)OF</td><td>3 779</td></tr>
<tr><td>31</td><td>Returns in for the month (1)</td><td>319</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>3 779</td><td></td><td></td><td>3 779</td></tr>
</table>
Guidance

For marking purposes, ignore dates
Income Statement must be on the credit side
No marks should be awarded if items extraneous to the account have been included.
‘Total for the month / sales returns for the month / returns in for the month / total from the sales returns journal / sales returns journal / returns in journal’ are acceptable labels for ‘Returns in for the month’ but ‘Sales returns / returns in / total’ are not acceptable
Accept daybook as alternative to journal

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

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Question	Answer	Marks
1(b)(i)	Saleh Sales ledger control account	**9**

Date 2026	Details		$	Date 2026	Details		$
Mar 1	Balance b/d	**(1)***	6 145	Mar 1	Balance b/d	*	250
Mar 31	Sales	**(1)**	5 750	Mar 31	Sales returns	**(1)**	319
	Balance c/d		250		Bank	**(1)**	3 755
					Discount allowed	**(1)**	48
					Irrecoverable debts	**(1)**	465
					Contra	**(1)**	926
					Balance c/d		6 382
			12 145				12 145
Apr 1	Balance b/d	**(1)OF****	6 382	Apr 1	Balance b/d	**	250

*** and ** both**
+ (1) for dates

1(b)(ii)	Duality **(1)**	**1**

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Question	Answer	Marks
1(c)	Points for: Customers may pay quicker / earlier **(1)** Irrecoverable debts may be reduced **(1)** Interest received from customers will increase profit \ income **(1)** There seems to be a low uptake on the current rate of cash discount **(1)** Improved relationship with customers due to increased discount **(1)** **Accept other valid points** **Max (3)** Points against: Customers may use another supplier who does not charge interest **(1)** Customers who cannot pay their debts are unlikely to pay interest. **(1)** Cash discount will reduce profit / increase expenses **(1)** The relationship with customers may deteriorate **(1)** Customers who do not pay within 7 days have no incentive to pay earlier than 28 days **(1)** **Accept other valid points** **Max (3)** **Overall, Max (4) for comments** **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
2(a)	Bennu Manufacturing account for the year ended 30 April 2026					**10**
		$		$		
	Cost of raw material consumed					
	Opening inventory of raw material			9 375		
	Purchases of raw materials	106 345				
	Carriage inwards of raw materials	4 300	**(1)**	110 645		
				120 020		
	Less Closing inventory of raw materials			9 120		
				110 900	**(1) OF**	
	Direct wages			58 400	**(1)**	
	Prime cost			169 300	**(1) OF**	
	Factory overheads					
	Rent and insurance (16 000 × ¾)	12 000	**(1)**			
	Factory power	8 890				
	Cleaning and maintenance ([7 250 + 250 =]7 500 × ¾)	5 625	**(1)**			
	Wages of factory supervisor	21 000				
	Depreciation of factory equipment (20% × [95 000 – 34 200])	12 160	**(1)**	59 675		
				228 975	**(1) OF**	
	Add opening work-in-progress			8 260	*	
				237 235		
	Less closing work-in-progress			8 295	***(1) for both**	
	Cost of production			228 940	**(1) OF**	
	Guidance • Marks are for acceptable narratives and items in the correct section • No **OF** are awarded for 'cost of raw materials' if purchases or closing inventory is omitted • No **OF** are awarded for 228 975 if power and wages are omitted.					

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Bennu
Income statement (trading section) for the year ended 30 April 2026

<table>
<tr><td></td><td>$</td><td></td><td>$</td><td></td></tr>
<tr><td>Revenue</td><td></td><td></td><td>382 640</td><td></td></tr>
<tr><td>Less Cost of sales</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Opening inventory of finished goods</td><td>12 450</td><td>*</td><td></td><td></td></tr>
<tr><td>Cost of production</td><td>228 940</td><td>(1) OF</td><td></td><td></td></tr>
<tr><td>Purchases of finished goods</td><td>1 721</td><td>(1)</td><td></td><td></td></tr>
<tr><td></td><td>243 111</td><td></td><td></td><td></td></tr>
<tr><td>Less Closing inventory of finished goods</td><td>13 200</td><td>*(1) for both</td><td>229 911</td><td>(1) OF</td></tr>
<tr><td>Gross profit</td><td></td><td></td><td>152 729</td><td>(1) OF</td></tr>
</table>
</td><td>5</td></tr>
<tr><td rowspan="2">2(c)(i)</td><td>Gross margin $\frac{152\,729}{382\,640}$ OF $\times$ 100 (1) whole formula = 39.91% (1) OF</td><td>2</td></tr>
<tr><td>Guidance
• Only (1) mark is awarded if it is calculated to one decimal place
• Only (1) mark is awarded if % is omitted</td><td></td></tr>
</table>

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Question	Answer	Marks
2(c)(ii)	Rate of inventory turnover $\frac{299\,911}{(12\,450 + 13\,200)/2}$ **(1) OF** **(1)** = 17.93 times **(1) OF** **Guidance** • If closing inventory used = 17.42 award **(2)** • Does not require times as they are given in the question Alternative calculation for a manufacturing business if averaging all inventories Rate of inventory turnover $\frac{299\,911}{(30\,085 + 30\,615)/2}$ **(1) OF** **(1)** = 7.58 times **(1) OF** **Guidance** • If closing inventory used = 7.51 award **(2)** • Does not require times as given in the question	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>
<table>
<tr><th>No.</th><th>Error</th><th colspan="4">Entries required to correct the error</th></tr>
<tr><td></td><td></td><td></td><td>Debit
$</td><td></td><td>Credit
$</td></tr>
<tr><td>1</td><td>A payment for rent, $635, had been debited to the wages account.</td><td>Rent</td><td>635</td><td>Wages</td><td>635</td></tr>
<tr><td>2</td><td>The purchases journal had been overcast by $50.</td><td>Suspense</td><td>50 (1)</td><td>Purchases</td><td>50 (1)</td></tr>
<tr><td>3</td><td>Bank charges $49 had been omitted from the accounting records.</td><td>Bank charges</td><td>49 (1)</td><td>Bank</td><td>49 (1)</td></tr>
<tr><td>4</td><td>Sales returns, $36, had been credited to the purchases returns account.</td><td>Sales returns
Purchases returns</td><td>36 (1)
36 (1)</td><td>Suspense</td><td>72 (1)</td></tr>
<tr><td>5</td><td>A bank payment, $215, for purchases, had been debited to the bank account and credited to the purchases account.</td><td>Purchases</td><td>430 (1)</td><td>Bank</td><td>430 (1)</td></tr>
<tr><td>6</td><td>A cash sale of $525 paid directly into the bank account, had been correctly recorded in the sales account, but had been recorded in the bank account as $252.</td><td>Bank</td><td>273 (1)</td><td>Suspense</td><td>273 (1)</td></tr>
</table>
Guidance
• Marks are for correct account names and amounts
• Accept two credit entries of 36 for error number four for (1) mark
</td><td>11</td></tr>
<tr><td>3(b)</td><td>Error of complete reversal (1)</td><td>1</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Xavier
Suspense account
<table>
<tr><th>Date 2026</th><th>Details</th><th>$</th><th>Date 2026</th><th>Details</th><th>$</th></tr>
<tr><td>Apr 30</td><td>Difference on trial balance (1)OF
Purchases (1)</td><td>295
50</td><td>Apr 30</td><td>Sales returns }
Purchases returns } (1)
Bank (1)</td><td>36
36
273</td></tr>
<tr><td></td><td></td><td>345</td><td></td><td></td><td>345</td></tr>
</table>
Guidance
• The difference on trial balance OF can be on either side.
• For marking purposes, ignore dates.</td><td>4</td></tr>
<tr><td>3(d)</td><td>Xavier
Cash book (bank columns only)
<table>
<tr><th>Date 2026</th><th>Details</th><th>$</th><th>Date 2026</th><th>Details</th><th>$</th></tr>
<tr><td>Apr 30</td><td>Suspense (1)
Balance c/d</td><td>273
616</td><td>Apr 30</td><td>Balance b/d
Bank charges (1)
Purchases (1)</td><td>410
49
430</td></tr>
<tr><td></td><td></td><td>889</td><td></td><td></td><td>889</td></tr>
<tr><td></td><td></td><td></td><td>May 1</td><td>Balance b/d (1)OF</td><td>616</td></tr>
</table>
Guidance
• OF balance mark can be on either side
• For marking purpose, ignore dates</td><td>4</td></tr>
</table>

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Question	Answer	Marks
4(a)(i)	Application of the consistency principle **(1)** This method has been used in previous years **(1)** Easy to calculate **(1)** The cost of the fixtures and fittings is used up evenly over the years. **(1)** **Max (1)**	**1**
4(a)(ii)	Most of the shop sales may be for cash. **(1)** Customers pay on time **(1)** The level of trade receivables is low. **(1)** There are no irrecoverable debts **(1)** **Max (1)**	**1**

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

Jay KL Limited
Statement of Financial Position as at 28 February 2026

	$	$	
Assets			
Non-current Assets			
Shop property	108 000		
Shop fixtures and fittings	11 420	119 420	**(1)**
Current Assets			
Inventory	6 350		
Trade receivables	575		
Other receivables	260 **(1)**	7 185	**(1) OF**
Total assets		126 605	
Equity and Liabilities			
Equity			
Ordinary share capital	65 000 **}**		
Preference share capital	10 000 **} (1)**		
General reserve	6 500 **}**		
Retained earnings	24 170 **} (1)**	105 670	
Non-current Liabilities			
Bank loan	5 000 **}**		
10% Debentures	10 000 **} (1)**	15 000	
Current Liabilities			
Trade payables	3 820		
Other payables	375 **(1)**		
Bank overdraft	1 740		
		5 935	**(1) OF**
Total Equity and Liabilities		126 605	

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Question	Answer	Marks
	Guidance • Reasonable labels are acceptable. • Items need to be grouped in the correct section • The response should have a minimum of two items and no extraneous elements in current assets and current liabilities for total OF mark • Accept prepaid expense / prepayments • Accept accruals / interest on bank loan • Accept alternative presentation Current assets- Current liabilities	
4(c)(i)	Working capital = 7 185 **(OF)** – 5 935 **(OF)** = $1 250 **(1) OF**	**1**
4(c)(ii)	Capital employed = 105 670 **(OF)** + 15 000 (OF) = 120 670 **(1) OF** **OR** 126 605 **(OF)** – 5 935 **(OF)** = 120 670 **(1) OF**	**1**
4(c)(iii)	Debenture interest = 10 000 × 10% = $1 000 Return on capital employed (ROCE) $\frac{11870 + 375 + 1000}{120\,670} \times 100$ = $\frac{13\,245\ \textbf{(1)}}{120\,670\ \textbf{(1)OF}} \times 100 = 10.98\%$ **(1) OF**	**3**
	Guidance • No answer marks are awarded if calculation is to one decimal place or if the % is omitted	

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Question	Answer	Marks
4(d)	Points for: Large amount of capital can be raised **(1)** The capital raised does not need to be repaid / permanent source of finance **(1)** No interest is payable on share capital **(1)** The company does not need to pay dividends **(1)** The new signage may attract customers / improve sales **/** improve profits **(1)** **Accept other valid points.** **Max (3)** Points against: Control of the company may be diluted / more shareholders can vote **(1)** Shareholders are likely to expect dividends **(1)** The company may not be able to sell sufficient shares **(1)** The new fixtures / new signage may not necessarily lead to improved profits **(1)** **Accept other valid points.** **Max (3)** **Overall, Max (4) for comments** **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
5(a)	Amber Trade payable control account Purchases returns **(1) OF** 5 200 Bank **} (1)** 43 190 Balance c/d **}** 3 610 52 000 Details | $ | Details | $ Purchases **(1)** 52 000 **OR** (43 190 + 3 610) **(1)** = 46 800/9 **(1)** = 5 200 **(1) OF**	**3**
	Guidance • Calculation only required: • Labels are not required and only relation between figures is required. • Marks awarded as follows: (43 190 + 3 610) = **(1)** (4 680 + 46 800) = 51 480 **(1)** 46 800 = **(1)** 4 680 = **(2)** 3 958 = **(1)**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(b)</td><td>
<table>
<tr><td>Item</td><td>Working</td><td>Total value
$</td></tr>
<tr><td>X</td><td>76 × 47</td><td>3 572 (1)</td></tr>
<tr><td>Y</td><td>(12 × 28) – 96</td><td>240 (1)</td></tr>
<tr><td>Z</td><td>–</td><td>nil (1)</td></tr>
<tr><td>Total</td><td></td><td>3 812 (1) OF</td></tr>
</table>
Guidance
• Only (1) mark is awarded if there is no value shown for Z</td><td>4</td></tr>
<tr><td>5(c)</td><td>
Amber
Income statement for the year ended 31 March 2026
<table>
<tr><td></td><td>$</td><td></td><td>$</td><td></td></tr>
<tr><td>Revenue (2500 + 1800) × 26</td><td></td><td></td><td>111 800</td><td>(1)</td></tr>
<tr><td>Less Cost of sales</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Purchases (13 000 + 52 000)</td><td>65 000</td><td></td><td></td><td></td></tr>
<tr><td>Less Purchases returns</td><td>5 200</td><td></td><td></td><td></td></tr>
<tr><td></td><td>59 800</td><td></td><td></td><td></td></tr>
<tr><td>Less Closing inventory</td><td>3 812</td><td>(1)OF</td><td>55 988</td><td>(1) OF</td></tr>
<tr><td>Gross profit</td><td></td><td></td><td>55 812</td><td>(1) OF</td></tr>
<tr><td>Less Expenses</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Wages</td><td>14 300</td><td>(1)</td><td></td><td></td></tr>
<tr><td>General expenses</td><td>2 750</td><td></td><td></td><td></td></tr>
<tr><td>Rent and insurance 7 767 – (945 × 6/15)</td><td>7 389</td><td>(2)CF (1) OF</td><td>24 439</td><td></td></tr>
<tr><td>Profit for the year</td><td></td><td></td><td>31 373</td><td>(1) OF</td></tr>
</table>
Guidance
• Need to show purchases – closing inventory for cost of sales for OF mark
• General expenses must be included to get the profit OF mark</td><td>8</td></tr>
</table>

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Question	Answer	Marks
5(d)	Advantages: Jasper's ideas may help to increase profit **(1)** Revenue has decreased in the last 6 months so Jasper's ideas may be useful **(1)** Jasper may bring in capital **(1)** Jasper will share the risks / responsibilities / workload **(1)** Jasper would share any losses **(1)** Jasper may be less likely to leave if he is offered a partnership **(1)** **Accept other valid points.** **Max (2)** Disadvantages: Amber may not agree with Jasper's ideas for the business **(1)** Conflicts may arise **(1)** Amber will lose control of the business **(1)** Amber would need to share profits with Jasper **(1)** 50% of the current profit is more than Jasper's current wage **(1)** **Accept other valid points.** **Max (2)** **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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