

Cambridge IGCSE[™](9–1)

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		

128824070

ACCOUNTING 0985/22

Paper 2 Structured Written Paper

May/June 2022

1 hour 45 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer all questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do not use an erasable pen or correction fluid.
- Do not write on any bar codes.
- You may use a calculator.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION

- The total mark for this paper is 100.
- The number of marks for each question or part question is shown in brackets [].
- Where you are asked to complete a layout, you may not need all the lines for your answer.

This document has 20 pages. Any blank pages are indicated.

[Turn overningte.

- 1 Peter is a trader. The following transactions took place in April 2022.
 - April 2 Cash sales, \$410, were paid directly into the bank account
 - 3 Paid \$798 to Rahat, by cheque, in full settlement of a debt of \$840
 - 8 Paid \$42 cash for a motor vehicle repair
 - Purchased goods, list price \$320, on credit subject to a trade discount of 10%, from Rahat
 - 18 Cash sales, \$460
 - 20 Paid \$392 to Samir by telephone transfer, having deducted 2% cash discount from the amount due
 - A cheque for commission receivable, \$115, was paid into the bank account
 - 29 Paid \$285 to Rafael by cash, in full settlement of a debt of \$300

REQUIRED

(a) Prepare Peter's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 May 2022.

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Peter Cash Book

			 	 	 	 	 	 	_
Bank	↔								[11]
Cash	↔								
Discount	\$								
Details									
Date	2022								_
Bank	↔	920							-
Cash	↔	135							-
Discount	allowed \$								_
Details		Balance b/d							
Date	2022	Apr 1							

[Turn, over

Peter has received a bank statement for April. He is using it to prepare a bank reconciliation statement and to update his cash book.

REQUIRED

(b) Place a tick (✓) to show how **each** item in the table below would be used to prepare the bank reconciliation statement **or** to update the cash book.

	Prepare bank state	reconciliation ment	Update c	ash book
Items to be adjusted	Added to bank statement balance	Deducted from bank statement balance	Debited to cash book	Credited to cash book
Bank charges				
Direct debit for rent				
Cheque paid to a supplier but not yet cashed				
Cheque for commission received dishonoured				
Dividend received				

REQUIRED

(c) Prepare the account for Rahat as it would appear in the ledger of Peter. Balance the account and bring down the balance on 1 May 2022.

Peter Rahat account

Date 2022	Details	\$ Date 2022	Details	\$
		 Apr 1	Balance b/d	840

[4]_mute.

[5]

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[Total: 20]

2 Stalla started trading on 1 April 2021. All receipts are paid into the bank and all payments are made from the bank. She has not kept a full set of books but has provided the following information.

Summary of receipts and payments for the year ended 31 March 2022

\$	

2330

Receipts

Capital introduced	8000
Loan received (repayable 2027)	5000
Sales (all cash)	36 000

Payments

Trade payables	17850
Fixtures and fittings	12000
General expenses	1920
Rent and insurance	7100
Drawings	?

REQUIRED

Bank balance at 31 March 2022

(a) Record the total receipts and total payments to Stalla's bank account showing the cash drawings for the year ended 31 March 2022. Balance the bank account and bring the balance down on 1 April 2022.

Stalla Bank account

Date	Details	\$ Date	Details	\$

During the year ended 31 March 2022, Stalla took goods from the business for her own personal use. The selling price of these goods is \$3375. Her mark-up is 25%.

REQUIRED

(b)	Calculate Stalla's total drawings for the year ended	31 March 2022.
		[2]
	Stalla has provided a list of balances at 31 March 2	
		\$
	Fixtures and fittings (net book value)	10800
	Inventory	2150
	Prepaid rent	500
	Balance at bank	2330
	Trade payables	1875
	Loan (repayable 2027)	5000
	Capital	?

REQUIRED

(c) Prepare a statement of affairs to calculate Stalla's capital at 31 March 2022.

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Stalla Statement of Affairs at 31 March 2022

		\$ \$
		 •••••
		[5]
(d)	Calculate Stalla's profit for the year ended 31 March 2022.	

[Turn, over

Stalla is now considering whether she should start to sell at least some of her goods on credit.

REQUIRED

(e)	Advise Stalla whether or not she should start selling on credit terms. Justify your answer.
	[5]
	[Total: 20]

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3 Mosi is a trader. The totals of his trial balance at 30 April 2022 did not agree and the difference was placed in a suspense account.

Mosi later discovered the following errors.

- 1 Commission received, \$96, had been debited to the discount received account. The entry to the bank account was correctly made.
- 2 The total of the sales journal for April 2022, \$1258, was transferred to the sales account as \$2185.
- 3 A cheque payment for motor expenses, \$77, had been omitted from the book-keeping records.
- 4 A payment by electronic transfer, \$135, was recorded as a payment in the petty cash book.
- 5 An invoice received from Tracey, \$160, was credited to the account for Stacey.

REQUIRED

(a) Prepare the journal entries to correct errors 1–5. Narratives are **not** required.

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Mosi Journal

number \$ \$ \$	

[11]



(b) Prepare the suspense account. Include the original difference on the trial balance as a balancing figure.

Mosi Suspense account

Date	Details	\$ Date	Details	\$

[4]

Mosi's original draft profit, before correcting the errors, was \$39 970.

REQUIRED

(c)	Calculate Mosi's corrected profit for the year ended 30 April 2022.
	[5]

[Total: 20]

4 Nala is a trader who buys and sells stationery.

She provided the following information about her inventory at 28 February 2022.

Item	Number of	Cost per unit	Carriage	Selling	Selling
	units		inwards per	expenses	price per
			unit	per unit	unit
		\$	\$	\$	\$
Packs of paper	240	4.50	_	_	8.00
Packs of envelopes	225	5.50	1.00	1.50	10.00
Notepads	150	4.00	2.00	_	5.00
Boxes of pencils	96	3.50	_	_	6.00

REQUIRED

(a)	(i)	Calculate the value of Nala's inventory at 28 February 2022.
		[6]
	(ii)	State the accounting principle used to value inventory.
		[1]

(b)	(i)	Complete the table by placing a tick (✓) to show how Nala should treat each item of her
		expenditure.

	Capital expenditure	Revenue expenditure
Computer printer paper		
Computer equipment		
Installation of computer equipment		
Motor vehicle		
Insurance of motor vehicle		
Delivery of motor vehicle		

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[Turn, over

b) (ii)	Explain how the materi	ality principle is	applied to the	treatment of non-current assets.
				rol
				[2]
	as treated the receipt of a	bank loan as a	revenue receip	ot.
EQUI	RED			
	mplete the table by plac pilities.	cing a tick (✔) to	o show the eff	fect of the error on capital and on
		overstated	understated	
E	ffect on capital			
E	ffect on liabilities			
EQUI	l, as this would improve h	er profit for the s	year.	
d) Ad	vise Nala whether or not	she should char	nge her deprec	ciation method. Justify your answer.

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[Total: 20]

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5 The trial balance of M Limited at 30 November 2021 was as follows.

M Limited Trial Balance at 30 November 2021

	Debit	Credit
	\$	\$
Revenue		203600
Inventory at 1 December 2020	12945	
Purchases	143750	
Rent and rates	12460	
Operating expenses	12920	
Wages	24 380	
Equipment at cost	40 000	
Provision for depreciation of equipment		17500
Trade receivables	9800	
Provision for irrecoverable debts		295
Bank	162	
Trade payables		11 585
Ordinary share capital		20 000
General reserve		3000
Retained earnings		2037
Dividend paid on ordinary shares	1 600	
	258 017	258017

Additional information

- 1 Inventory at 30 November 2021 was valued at \$12830.
- 2 Depreciation on equipment is to be charged at 25% per annum using the reducing balance method.
- 3 Accrued operating expenses at 30 November 2021 were \$415.
- 4 Rent includes a payment of \$2250 for the 3 months from 1 October 2021 to 31 December 2021.
- 5 The provision for doubtful debts is to be set at 4% of trade receivables.

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1 December com

- 6 No dividends were outstanding at 30 November 2021.
- 7 \$1000 is to be transferred to the general reserve at 30 November 2021.

REQUIRED

(a) Prepare the income statement for M Limited for the year ended 30 November 2021.

M Limited		
Income Statement for the year ended 30	November 2021 \$	\$

(b) Prepare the statement of changes in equity for M Limited for the year ended 30 November 2021.

M Limited
Statement of Changes in Equity for the year ended 30 November 2021

Details	Ordinary Share capital	General reserve	Retained earnings	Total
	\$	\$	\$	\$
On 1 December 2020				
On 30 November 2021				

[5]

(c) Calculate the liquid ratio for M Limited at 30 November 2021. The answer should be correct to **two** decimal places.

Liquid (acid test) ratio	
workings	answer

[3]

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The managing director, Emily, plans to buy new equipment to be used to improve the profitability of the company. She is considering whether to fund the equipment by issuing further ordinary shares or requesting a bank overdraft.

REQUIRED

(d)	Advise Emily whether to fund the purchase of the equipment by issuing further ordinary shares or by requesting a bank overdraft. Justify your answer.
	[5]
	[Total: 20]

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