



# Cambridge IGCSE™ (9–1)

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## ACCOUNTING

0985/21

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.



- 1 Nakul is a trader. He buys and sells goods on credit. He buys most of his supplies from one supplier, Nadia, who allows Nakul a trade discount of 20%.

The following transactions took place in January 2022.

|     |    |   |
|-----|----|---|
| Jan | 2  | Paid \$441 by cheque to Nadia, in full settlement of \$450 owed to her at 1 January 2022. |
|     | 12 | Bought goods on credit from Nadia, list price \$350                                       |
|     | 14 | Returned faulty goods to Nadia, list price \$80   |
|     | 18 | Bought goods on credit from Nadia, list price \$400                                       |
|     | 23 | Sold goods on credit, \$800   |
|     | 29 | Bought goods on credit, \$60, from Sophie   |
|     | 30 | Returned goods to Sophie, \$9   |

### REQUIRED

- (a) Prepare the purchases journal for January 2022.  
Total the journal and indicate the ledger account to which the total would be posted.

Nakul  
Purchases journal

| Date  | Details | \$    | \$    |
|-------|---------|-------|-------|
| ..... | .....   | ..... | ..... |
| ..... | .....   | ..... | ..... |
| ..... | .....   | ..... | ..... |
| ..... | .....   | ..... | ..... |
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[4]

- (b) Prepare the purchases returns journal for January 2022.  
Total the journal and indicate the ledger account to which the total would be posted.

Nakul  
Purchases returns journal

| Date  | Details | \$    | \$    |
|-------|---------|-------|-------|
| ..... | .....   | ..... | ..... |
| ..... | .....   | ..... | ..... |
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- (c) Prepare the account for Nadia, for January 2022, as it would appear in the books of Nakul.  
Balance the account and bring down the balance on 1 February 2022.

Nakul  
Nadia account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
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[6]

- (d) Complete the table by placing a tick (✓) to show where each item is shown on the statement of financial position.

|                | Current liabilities | Non-current liabilities |
|----------------|---------------------|-------------------------|
| Trade payables |                     |                         |
| Bank overdraft |                     |                         |

[2]



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- 2 Fatima is a sole trader. She prepares her financial statements to the end of March each year.

At 31 March 2022, Fatima's ledger account balances included the following.

|   | \$     |
|---|--------|
| Revenue   | 79 400 |
| Sales returns                                       | 3 970  |
| Purchases   | 36 500 |
| Rent and rates                                      | 9 000  |
| Wages   | 10 100 |
| General expenses                                    | 1 287  |
| Insurance   | 1 800  |
| Discount received                                   | 1 095  |
| Inventory at 1 April 2021                           | 3 000  |
| Fixtures and equipment at cost                      | 80 000 |
| Fixtures and equipment – provision for depreciation | 39 040 |
| Trade receivables                                   | 6 400  |
| Trade payables                                      | 4 995  |
| Provision for doubtful debts                        | 156    |
| Cash drawings                                       | 8 580  |
| Capital at 1 April 2021                             | 59 000 |

The following information is also available.

- 1 Inventory at 31 March 2022 was \$3120.
- 2 Fatima took goods for her own use from the business during the year ended 31 March 2022. These goods cost \$1300.
- 3 Depreciation on fixtures and equipment is to be charged at 20% per annum using the reducing balance method.
- 4 Accrued wages at 31 March 2022 were \$800.
- 5 Rent includes a payment of \$1500 for the 3 months from 1 March 2022 to 31 May 2022.
- 6 An irrecoverable trade receivable of \$200 is to be written off.
- 7 The provision for doubtful debts is to be set at 3% of trade receivables.







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- 3 Jules is a hairdresser. He bought some new energy-saving hairdrying equipment, \$1900, on credit from YZH Limited on 30 April 2022.

**REQUIRED**

- (a) Prepare the journal entry to record the purchase of these hairdryers. A narrative **is** required.

Jules  
Journal

| Date  | Details | Debit<br>\$ | Credit<br>\$ |
|-------|---------|-------------|--------------|
| ..... | .....   | .....       | .....        |
| ..... | .....   | .....       | .....        |
| ..... | .....   | .....       | .....        |
| ..... | .....   | .....       | .....        |

[3]

The new hairdryers will use less electricity than his old ones. There will be an additional insurance charge for the new hairdryers. The old hairdryers had been fully depreciated so that their net book value was nil.

**REQUIRED**

- (b) Complete the table by placing a tick (✓) to show whether these changes in expenses increase or decrease the profit.

| Expense        | Increase<br>in profit | Decrease<br>in profit |
|----------------|-----------------------|-----------------------|
| Heat and light |                       |                       |
| Depreciation   |                       |                       |
| Insurance      |                       |                       |

[3]

Jules has discovered the following five errors in his accounting records for the year ended 30 April 2022.

- 1 The total for general expenses, \$28, in the petty cash book for April 2022 has not been posted to the general ledger.
- 2 A direct debit to Isaac, a supplier, \$195 had been recorded as \$159 in the account for Isaac.
- 3 A payment by credit transfer for wages, \$144, has not been recorded in the accounting records.

- 4 The discount received total for January 2022, \$38, had been debited to the discount received account.
- 5 The account for rent and the account for commission receivable had both been overcast by \$200.

**REQUIRED**

(c) Prepare the journal entries required to correct these five errors. Narratives are **not** required.

Jules  
Journal

| Error number | Details | Debit \$ | Credit \$ |
|--------------|---------|----------|-----------|
| .....        | .....   | .....    | .....     |
| .....        | .....   | .....    | .....     |
| .....        | .....   | .....    | .....     |
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[10]

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

Jules  
Suspense account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
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[4]

[Total: 20]

- 4 Ekuia is a trader who sells household furnishings. She has provided the following information.

|                   | \$     |
|-------------------|--------|
| At 30 April 2022: |        |
| Inventory         | 14 650 |
| Trade receivables | 12 700 |
| Bank overdraft    | 5 375  |
| Trade payables    | 7 125  |

For the year to 30 April 2022:

|           |         |
|-----------|---------|
| Revenue   | 112 300 |
| Purchases | 72 250  |
| Expenses  | 19 820  |

All sales and purchases are on credit.  
Inventory at 1 May 2021 was valued at \$12 800.

### REQUIRED

- (a) Complete the following tables.

| Gross margin |                                       |
|--------------|---------------------------------------|
| workings     | answer (to <b>two</b> decimal places) |
|              |                                       |

| Profit margin |                                       |
|---------------|---------------------------------------|
| workings      | answer (to <b>two</b> decimal places) |
|               |                                       |

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| Rate of inventory turnover (times) |                                       |
|------------------------------------|---------------------------------------|
| workings                           | answer (to <b>two</b> decimal places) |
|                                    |                                       |

| Current ratio |                                       |
|---------------|---------------------------------------|
| workings      | answer (to <b>two</b> decimal places) |
|               |                                       |

| Liquid (acid test) ratio |                                       |
|--------------------------|---------------------------------------|
| workings                 | answer (to <b>two</b> decimal places) |
|                          |                                       |

[11]

One of Ekua’s suppliers has offered to sell her a large quantity of inventory at a reduced price. Ekua is considering accepting this offer and increasing her expenditure on advertising in order to sell more inventory.

**REQUIRED**

(b) Advise Ekua whether she should purchase the additional inventory. Justify your answer by providing **two** advantages and **two** disadvantages.

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..... [5]

(c) Explain the meaning and importance of the principle of consistency in the preparation of financial statements.

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..... [2]

(d) State **two** non-financial factors which may affect Ekua’s trading results.

1 .....  
.....  
2 .....  
..... [2]

[Total: 20]

**[Turn over**

- 5 The Sew and Soup Club offers membership to people who are interested in sharing sewing and knitting patterns. It runs a refreshment café for members. The club had the following assets and liabilities at 31 December.

|   | <b>2020</b> | <b>2021</b> |
|---|-------------|-------------|
|   | \$          | \$          |
| Subscriptions in advance                | 2260        | 1745        |
| Subscriptions in arrears                | 1820        | 2115        |
| Inventory of refreshments               | 1070        | 1130        |
| Rent paid in advance                    | 500         | 500         |
| Trade payables for refreshment supplies | 1940        | 1580        |
| Bank balance                            | 4628        | 7743        |

The following totals are for the year ended 31 December 2021.

|   | \$    |
|---|-------|
| Receipts                                |       |
| Subscriptions received (all by cheque)  | 13900 |
| Cash sales from refreshments            | 17650 |
| Payments                                |       |
| Rent                                    | 6000  |
| Wages                                   | 7000  |
| Other expenses                          | 5000  |
| Trade payables for refreshment supplies | 10435 |



**REQUIRED**

- (a) (i) Prepare the subscriptions account for the year ended 31 December 2021. Balance the account and bring down the balances on 1 January 2022.

Sew and Soup Club  
Subscriptions account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
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[6]

- (ii) Explain whether the treasurer should be satisfied with the amount of cash received from member subscriptions during the year ended 31 December 2021.

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..... [3]

(b) Calculate the profit on refreshments for the year ended 31 December 2021.

|       | \$    | \$    |
|-------|-------|-------|
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[7]

(c) Prepare the current assets section of the club's statement of financial position at 31 December 2021.

Sew and Soup Club  
Statement of financial position (extract) at 31 December 2021

|                | \$    | \$    |
|----------------|-------|-------|
| Current Assets |       |       |
| .....          | ..... | ..... |
| .....          | ..... | ..... |
| .....          | ..... | ..... |
| .....          | ..... | ..... |
| .....          | ..... | ..... |
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[Total: 20]

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