



Cambridge O Level

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

7707/23

Paper 2 Structured Written Paper

October/November 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 Anika owns property which she rents out to university students. She has made a consistent profit for each year she has been in business. Her trial balance at 31 August 2022 was as follows.

| | Debit \$ | Credit \$ |
|--|----------------|----------------|
| Capital | | 400 000 |
| Rent receivable | | 162 000 |
| General expenses | 26 500 | |
| Bank | 39 400 | |
| Rates | 38 200 | |
| Insurance | 12 400 | |
| Repairs | 32 000 | |
| Drawings | 18 500 | |
| Non-current assets at cost | | |
| Premises | 418 000 | |
| Fittings | 90 000 | |
| Provision for depreciation of non-current assets | | |
| Premises | | 42 000 |
| Fittings | | 71 000 |
| | <u>675 000</u> | <u>675 000</u> |

Additional information

- At 31 August 2022, rent received of \$8100 has been paid in advance.
- At 31 August 2022, general expenses of \$1300 have been paid in advance and rates of \$3400 were owing.
- The insurance includes \$1800 paid for the 15 month period ending 30 November 2022.
- Expenditure of \$9000 for new fittings has been recorded in repairs.
- Depreciation is to be provided as follows:

| | |
|----------|--|
| Premises | by equal instalments on cost each year over a 50 year period |
| Fittings | 20% per annum by the reducing balance method |

A full year's depreciation is charged on fittings during the year of purchase.

- 2 Rasheed started a business on 1 October 2021. He maintains a petty cash book in the business. A monthly imprest of \$100 is restored on the first day of each month.

REQUIRED

- (a) State **two** advantages of maintaining a petty cash book.

1

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2

..... [2]

Rasheed’s transactions for the month of September 2022 were as follows.

| | | |
|-------------|--|----|
| | | \$ |
| September 2 | Paid taxi fare | 12 |
| 7 | Paid purchases ledger account of Crystal | 16 |
| 13 | Bought postage stamps | 10 |
| 18 | Paid purchases ledger account of Kalpa | 15 |
| 25 | Paid bus fare | 5 |
| 29 | Paid cleaner | 28 |

REQUIRED

- (b) Complete Rasheed’s petty cash book for the month of September 2022 on the next page.

Balance the petty cash book and bring down the balance on 1 October 2022. Clearly show the amount required to restore the imprest.

[8]

- (c) Record the entries which would be made in the following accounts in September 2022. It is **not** necessary to total or balance the accounts.

Rasheed
Postage account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
| | | | | | |

Purchases ledger
Crystal account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
| | | | | | |

[2]

At the end of his first year in business Rasheed had a closing inventory of \$8600.

REQUIRED

- (d) Prepare the inventory account at 30 September 2022. Balance the account and bring down the balance on 1 October 2022.

Rasheed
Inventory account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
| | | | | | |
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[2]

(e) At the end of his first year in business Rasheed would like to compare his financial performance with other businesses. Explain to Rasheed **three** problems of inter-firm comparison.

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[6]

[Total: 20]

3 The following balances have been taken from the accounts of RB, a trader.

| | 1 April 2021 | 31 March 2022 |
|-----------------------|--------------|---------------|
| | \$ | \$ |
| Insurance | 2500 prepaid | 850 prepaid |
| Commission receivable | 700 owing | 630 owing |

The following transactions relate to the year ended 31 March 2022. All receipts and payments were through the bank account.

| | \$ |
|-----------------------|--------|
| Insurance paid | 15 300 |
| Insurance refund | 600 |
| Commission receivable | 7 200 |

REQUIRED

(a) Prepare the following ledger accounts for the year ended 31 March 2022. Balance the accounts and bring down the balances on 1 April 2022.

RB
Insurance account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
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RB has arranged with his suppliers to receive a 25% trade discount off list price and a 2% cash discount. The cash discount is only for payments made within 10 days.

On 5 March 2022 RB received an invoice from JP for the supply of goods with a list price of \$3000. The invoice was paid on 13 March 2022.

REQUIRED

(d) Calculate each of the following:

(i) the trade discount

.....
 [1]

(ii) the cash discount

.....
 [1]

(iii) the amount paid to the supplier JP

.....
 [1]

(e) Complete the table below indicating with a tick (✓) the effect of **each** type of discount on gross profit and profit for the year.

Discount allowed

| | increase | decrease | no effect |
|---------------------|----------|----------|-----------|
| gross profit | | | |
| profit for the year | | | |

Discount received

| | increase | decrease | no effect |
|---------------------|----------|----------|-----------|
| gross profit | | | |
| profit for the year | | | |

[4]

[Total: 20]

- 4 The following information is taken from the statement of financial position of C Limited at 1 September 2021.

| | |
|---------------------------------|---------|
| | \$ |
| 5% Debentures (2024) | 60 000 |
| Equity | |
| Ordinary share capital (\$0.50) | 240 000 |
| General reserve | 36 000 |
| Retained earnings | 22 000 |

During the year ended 31 August 2022:

A final dividend payment of \$12 000 was made for the year ended 31 August 2021.

An interim dividend payment of \$0.02 per share was made for the year ended 31 August 2022.

A transfer of \$11 000 was made to general reserve.

At 31 August 2022 the company proposed a final dividend of \$10 000 for the year ended 31 August 2022.

The revenue for the year ended 31 August 2022 was \$310 000 and the profit (before debenture interest) was \$23 000.

REQUIRED

- (a) Prepare the statement for the changes in equity for the year ended 31 August 2022.

C Limited
Statement of Changes in Equity for the year ended 31 August 2022

| Details | Share capital \$ | General reserve \$ | Retained earnings \$ | Total \$ |
|---------|---------------------|-----------------------|-------------------------|-------------|
| | | | | |
| | | | | |
| | | | | |
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[7]

(b) Calculate to **two** decimal places the return on capital employed for the year ended 31 August 2022. (Use closing capital employed).

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..... [4]

(c) (i) Calculate to **two** decimal places the profit margin for the year.

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..... [2]

(ii) Suggest **two** ways in which the profit margin could be improved.

1

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2

..... [2]

- 5 NT started in business on 1 September 2020. All sales are on credit and payment is required from customers within 25 days.

On 5 May 2021, LW a trade receivable was declared bankrupt and a debt of \$600 was written off as irrecoverable at that date.

REQUIRED

- (a) Prepare a journal entry to write off the amount owed by LW. A narrative **is** required.

NT
General Journal

| Date | Details | Debit \$ | Credit \$ |
|-------|---------|-------------|--------------|
| | | | |
| | | | |
| | | | |
| | | | |

[3]

In addition to the irrecoverable debt of LW, other irrecoverable debts of \$4100 were written off during the year ended 31 August 2021. Trade receivables at 31 August 2021 were \$91 500 and NT decided to create a provision for doubtful debts of 5% of trade receivables.

REQUIRED

- (b) Prepare an extract from the expenses section of NT’s income statement for the year ended 31 August 2021.

NT
Extract from income statement for the year ended 31 August 2021

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[2]

- (c) Prepare an extract from the assets section of NT’s statement of financial position at 31 August 2021.

NT

Extract from statement of financial position at 31 August 2021

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..... [2]

During the financial year ended 31 August 2022, PB a trade receivable who owed \$7000 had been declared bankrupt. On 17 July 2022, NT received payment of \$2500 by cheque in final settlement of the debt. The remainder of the debt was written off as irrecoverable.

Other irrecoverable debts of \$8400 were written off at 31 August 2022. The remaining trade receivables at 31 August 2022 were \$110000 and NT decided to maintain the provision for doubtful debts at 5% of trade receivables.

REQUIRED

- (d) Prepare the following ledger accounts for the year ended 31 August 2022. Bring down the balance on 1 September 2022, where appropriate.

NT ledger accounts

PB account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Irrecoverable debts account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Provision for doubtful debts account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
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[8]

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