



Cambridge IGCSE™ (9–1)

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ACCOUNTING

0985/22

Paper 2 Structured Written Paper

October/November 2024

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 **24** pages. Any blank pages are indicated.



1 Kalima is a trader.

At the start of September 2024, Kalima had a cash balance of \$240, a bank balance of \$890 credit and a credit customer, Elizah, owed Kalima \$520.

The following transactions took place during the month:

September 2 Paid stationery in cash, \$82

3 Cash sales, \$478

A cheque for \$30 received at the end of August from Badr, a credit customer, was dishonoured

5 Paid wages by credit transfer, \$1390

7 Bought goods from Gulnar on credit, \$200

10 Kalima withdrew \$150 from the business bank account for personal use

14 Received a cheque from Elizah in full settlement of the amount owed less 2.5% cash discount

16 Paid \$120 cash into the business bank account

21 Paid Gulnar the full amount due by credit transfer less a cash discount of 2%

23 Sold goods to Elizah on credit, \$1450

29 A credit note totalling \$325 was issued to Elizah for goods returned

REQUIRED:

(a) Prepare Kalima's cash book on the page opposite, for September 2024.

Balance the account and bring down the balances on 1 October 2024.







(b) What does the credit balance in the bank on 1 September 2024 represent?

.....
.....

[1]

(c) Prepare the account of Elizah as it would appear in Kalima's books. Balance the account and bring down any balances on 1 October 2024.

Kalima

| Elizah Account | | | | | |
|----------------|---------|--------------|--------------|---------|--------------|
| Date 2024 | Details | Amount \$ | Date 2024 | Details | Amount \$ |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

[5]

(d) Name the section heading in Kalima's statement of financial position where the balance on Elizah's account would appear.

.....
.....

[1]

[Total: 20]



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5

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0985/22/O/N/24

[Turn over]



2 Ben runs a small business but does not maintain a full set of accounting records. He has provided the following information:

| | 31 March 2024 | 1 April 2023 |
|---------------------------------------|---------------|--------------|
| | \$ | \$ |
| Premises at cost | 140 000 | 140 000 |
| Machinery at cost | 106 000 | 92 000 |
| Accumulated depreciation on machinery | 36 000 | 10 000 |
| Inventory | 42 000 | 24 600 |
| Trade receivables | 43 400 | 39 600 |
| Trade payables | 19 700 | 24 750 |
| Bank | 13 000 debit | 3 200 credit |
| Other receivables | 1 200 | 1 650 |

REQUIRED:

(a) Calculate Ben's opening and closing capital.

| | Workings | Answer \$ |
|--------------------------|----------|-----------|
| Capital at 1 April 2023 | | |
| Capital at 31 March 2024 | | |

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During the year ended 31 March 2024, Ben withdrew goods for his own use, \$620. He also deposited an additional \$10 000 cash into the business bank account from his personal funds.

REQUIRED:

(b) Calculate the profit for the year using the table below. Include your opening and closing capitals from 2(a) and indicate whether the amounts of Ben's transactions shown should be added or deducted from the opening capital.

| | Added to opening capital \$ | Deducted from opening capital \$ | Total \$ |
|--------------------------|--------------------------------|-------------------------------------|-------------|
| Capital at 1 April 2023 | | | |
| Capital introduced | | | |
| Profit for the year | | | |
| Drawings | | | |
| Total adjustments | | | |
| Capital at 31 March 2024 | | | |

[4]

In addition, Ben was able to provide details of transactions received and paid.

| | \$ |
|--------------------------------|---------|
| Receipts from credit customers | 452 000 |
| Cash sales | 21 000 |
| Payments to credit suppliers | 224 700 |

REQUIRED:

(c) (i) Calculate Ben's credit purchases for the year ended 31 March 2024.

.....

.....

.....

.....

.....

.....

.....

.....

.....

[3]





(ii) Calculate Ben's **total** sales for the year ended 31 March 2024.

As his business is growing, Ben is considering maintaining a full set of accounting records. To allow him to do this, he believes he would need to employ an experienced book-keeper at a salary of \$18 000.

REQUIRED:

(d) Advise Ben whether he should employ a book-keeper. Justify your answer with **two** advantages and **two** disadvantages of employing a book-keeper.





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Ben has reviewed the age and level of his trade receivables and believes he should provide for possible doubtful debts.

REQUIRED:

(e) (i) Which accounting principle would he be applying by creating a provision for doubtful debts?

.....
.....

[1]

(ii) Complete the table by placing a tick (✓) to show what effect creating a provision for doubtful debts would have on Ben's profit for the year, trade receivables and cash at bank.

| | Profit for the year | Trade receivables | Cash at bank |
|-----------|---------------------|-------------------|--------------|
| Increase | | | |
| Decrease | | | |
| No effect | | | |

[2]

[Total: 20]





3 Sports T is a club providing sporting facilities to its members. The club hires all sporting equipment.

The club also runs a small café selling food and refreshments which members and guests can use. All sales from the café are on a cash basis.

The club treasurer has provided the following information for the year ending 31 December 2023:

Receipts throughout the year:

| | \$ |
|------------------------|---------|
| Café sales | 27 000 |
| Members' subscriptions | 162 000 |
| Bank interest | 720 |

Payments made throughout the year:

| | \$ |
|--|--------|
| Salaries & Wages: | |
| Sports coaches | 58 220 |
| Administration salaries | 31 720 |
| Café assistant's wages | 14 352 |
| Rent of premises | 16 250 |
| Hiring costs – sports equipment | 31 900 |
| Rates and insurance | 3 200 |
| Purchases of food and drink for resale | 8 220 |
| Accountancy fees | 2 400 |

Balances at 1 January 2023:

| | \$ |
|--|-------------|
| Inventory of food & drink | 1 290 |
| Subscriptions owing from previous year | 1 520 |
| Receipts and payments account | 3 300 debit |

Balances at 31 December 2023:

| | \$ |
|-----------------------------------|-------|
| Inventory of food & drink | 1 340 |
| Subscriptions received in advance | 2 800 |
| Subscriptions outstanding | 1 280 |

Additional information:

1. The contract for hiring the sports equipment is \$34 800 per annum and is paid monthly.
2. Rent of premises is paid for the period from 1 January 2023 up to 31 January 2024.





REQUIRED

(a) Prepare the café income statement for the year ended 31 December 2023.

Sports T club
Café Income Statement for the year ended 31 December 2023

[5]





(b) Prepare the subscriptions account in the books of Sports T club for the year ending 31 December 2023.

Balance the account and bring down the balances on 1 January 2024.

Sports T club
Subscriptions account for the year ended 31 December 2023

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

[5]





(c) Prepare the income and expenditure account of Sports T club for the year ended 31 December 2023.

Sports T club

Income and expenditure account for the year ended 31 December 2023

[10]

[Total: 20]





4 Y Limited is a public limited company.

REQUIRED:

(a) State **one** difference between a public limited company and a private limited company.

[1]

[1]

(b) Explain the difference between issued share capital and called up share capital.

[2]

[2]

(c) State **two** benefits of operating as a limited company.

1.

2.

[2]





Y Limited's financial year ends on 31 December each year. On 1 January 2023, the company had:

- 800 000 ordinary shares of \$1 each, issued and fully paid.
- 300 000 5% redeemable preference shares of \$0.50 each.
- Retained earnings of \$62 000.
- General reserves of \$78 000.

Y Limited provided the following information:

Proposed final ordinary share dividend of \$43 000 for the year ended 31 December 2022 was paid on 31 March 2023.

Interim ordinary share dividend of \$40 000 was paid on 30 September 2023.

Profit for the year ended 31 December 2023 was \$126 000 (before the payment of preference share dividend).

On 31 December 2023:

The company decided to transfer \$32 000 to its general reserve.

Agreed a final ordinary share dividend for the year of 6%.

REQUIRED:

(d) Prepare the statement of changes in equity for Y limited for the year ended 31 December 2023

Y Limited
Statement of changes in equity for the year ended 31 December 2023

| | Ordinary Share Capital \$ | General Reserve \$ | Retained Earnings \$ | Total \$ |
|---------------------|---------------------------------|--------------------------|----------------------------|-------------|
| On 1 January 2023 | | | | |
| | | | | |
| | | | | |
| | | | | |
| On 31 December 2023 | | | | |

[7]





(e) Using the information from your statement of changes in equity in 4(d), prepare an extract from the statement of financial position at 31 December 2023 showing **the equity and reserves section only**.

Y Limited
Extract from Statement of financial position at 31 December 2023

[2]





The company is considering expansion but needs to raise additional finance to do so. They are considering either issuing additional ordinary shares or debentures.

REQUIRED:

(f) Advise the board of directors whether they should issue additional ordinary shares or debentures to raise the additional finance required. Justify your answer.

[5]

(g) Name the section heading in a company's statement of financial position where debentures would be included.

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

[1]

[Total: 20]





5 Azim is a wholesaler. He sells goods on both cash and credit basis. Terms of business for all credit sales is 30 days.

Azim has provided the following information for the year ended 31 December 2023.

| | \$ |
|--|---------|
| Cash sales | 18 170 |
| Credit sales | 392 600 |
| Credit purchases | 278 429 |
| Inventory at 31 December 2022 | 24 074 |
| Inventory at 31 December 2023 | 25 600 |
| Money owed by credit customers at 31 December 2023 | 42 375 |
| Money owed to credit suppliers at 31 December 2023 | 21 603 |

REQUIRED:

(a) Using the information provided, calculate the following ratios for the year ended 31 December 2023. Show your workings.

| Ratio | Workings | Answer |
|---|----------|--------|
| Inventory turnover (correct to 2 decimal places) | | |
| Trade receivables turnover (round up your answer to the nearest whole day) | | |
| Trade payables turnover (round up your answer to the nearest whole day) | | |

[7]





During the previous year, Azim's trade receivables turnover had been 35 days and he is concerned that this is too high.

Azim had been considering using the services of a debt collection company to improve the speed at which he receives his money from his credit customers.

REQUIRED:

(b) Advise Azim whether he should appoint a debt collection company. Justify your answer with **two** advantages and **two** disadvantages.

[5]





(c) Suggest **two** other measures that Azim might take to reduce his trade receivables turnover period.

1.

10 of 10

| | <u>Azim</u> | <u>Baher</u> |
|---------------------|-------------|--------------|
| Gross profit margin | 33% | 37% |
| Profit margin | 10% | 12% |

REQUIRED:

(d) Suggest **one** action that Azim might take to improve his:

(i) Gross profit margin

..... [1]

(ii) Profit margin

..... [1]

REQUIRING:

(e) (i) Prepare the journal entry that Azim would need to make to correct this error. A narrative is **not** required.

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

[2]





(ii) Complete the table below by placing a tick (✓) to indicate the effect of correcting this error on Azim's gross profit and closing capital.

| | increase | decrease | no effect |
|-----------------|----------|----------|-----------|
| gross profit | | | |
| closing capital | | | |

[2]

[Total: 20]

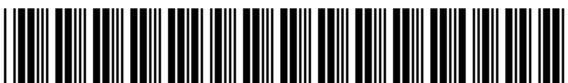






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