



# Cambridge O Level

CANDIDATE NAME



CENTRE NUMBER

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CANDIDATE NUMBER

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## ACCOUNTING

7707/21

Paper 2 Structured Written Paper

May/June 2025

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.





\* 000800000003 \*



3

**Question 1 continues on page 4.**



DO NOT WRITE IN THIS MARGIN



Anika decided to maintain a petty cash book using the imprest system. The imprest amount is \$150. On 1 March 2025, Anika drew the amount required for petty cash from the bank account.

During March 2025, Anika made the following payments from petty cash.

- March 6 Paid for petrol, \$30
- 10 Paid for computer paper, \$12
- 17 Paid Sam, \$48, on account
- 21 Paid for postage, \$6
- 28 Paid for car cleaning, \$8

**REQUIRED**

(b) Prepare Anika’s petty cash book on **page 5** for the month of March 2025.

Balance the petty cash book, bring down the balance on 1 April 2025 and restore the imprest.

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On 21 March 2025, Anika purchased goods on credit from Sam, list price \$120, subject to a trade discount of 5%. On 25 March 2025, Anika returned half of these goods.

**REQUIRED**

- (c) Prepare the account for Sam in the books of Anika for March 2025. Balance the account and bring down the balance at 1 April 2025.

Anika  
Sam account

Date	Details	\$	Date	Details	\$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[5]

[Total: 20]

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Mo owns his farmland and rents out one of his fields to a neighbouring farmer, Barry, for \$80 a month. Barry pays Mo by bank transfer.

On 1 January 2024, Barry owed Mo two months' rent. During the year ended 31 December 2024, Barry paid the following amounts to Mo for rent:

	\$
1 March	320
1 September	720

**REQUIRED**

(e) Prepare Mo's rental income account for the year ended 31 December 2024. Total the account and bring down the balance at 1 January 2025.

Mo  
Rental income account

Date	Details	\$	Date	Details	\$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[4]

Mo has noticed that his gross margin and profit margin are higher than those of Barry.

**REQUIRED**

(f) State **one** reason why:

(i) Mo's gross margin is higher than Barry's

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

(ii) Mo's expenses are lower than Barry's.

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

[Total: 20]



DO NOT WRITE IN THIS MARGIN



3 Nabil prepared a trial balance at 30 April 2025. The total of the debit side was \$95 428, and the total of the credit side was \$95 156. Nabil placed the difference in a suspense account.

Nabil later discovered the errors shown in the table in **part (a)**.

**REQUIRED**

(a) Complete the following table to show the entries required to correct **each** error. The first one has been completed as an example.

Error	Entries required to correct the error			
	Debit		Credit	
	Account	\$	Account	\$
<i>A payment for wages, \$425, had been debited to the purchases account.</i>	<i>Wages</i>	<i>425</i>	<i>Purchases</i>	<i>425</i>
Discount allowed, \$19, had been credited to the discount allowed account.	.....	.....	.....	.....
The total of the sales journal for April 2025 was undercast by \$100.	.....	.....	.....	.....
A bank payment for purchases, \$170, had <b>not</b> been recorded in the books of account.	.....	.....	.....	.....
Bank charges, \$15, had been recorded as \$105.	.....	.....	.....	.....
A bank payment for insurance, \$210, was debited to the bank account. No other entries were made.	.....	.....	.....	.....

[11]

DO NOT WRITE IN THIS MARGIN







4 H Limited prepares its financial statements to 30 April each year.

During the year ended 30 April 2025, the following took place:

- 1 The company made a profit for the year of \$26 700 after charging debenture interest.
- 2 A transfer of \$5000 was made to the general reserve.
- 3 A dividend of \$5340 was paid. No other dividends are payable for the year.

**REQUIRED**

(a) Prepare the statement of changes in equity for H Limited for the year ended 30 April 2025.

H Limited  
Statement of Changes in Equity for the year ended 30 April 2025

Details	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 May 2024	120 000	20 000	33 635	173 635
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
On 30 April 2025	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>.....</u>

[4]

H Limited provided the following ledger account balances at 30 April 2025.

	\$
Fixtures and equipment at book value	155 000
Motor vehicles at book value	16 875
Inventory	28 120
Trade payables	26 815
Trade receivables	33 000
Provision for doubtful debts	990
Bank overdraft	5 195
5% Debentures (repayable 2029)	5 000









**Question 5 starts on page 16.**



DO NOT WRITE IN THIS MARGIN



- 5 Grace owns a factory which makes shoes. She buys handbags from a supplier and sells the shoes and handbags.

Grace prepares her financial statements to 31 March each year. At 31 March 2025, her ledger account balances included the following:

	\$
Inventory at 1 April 2024	
Raw materials	5 345
Work in progress	13 820
Finished goods (shoes)	27 540
Purchases of raw materials	72 870
Carriage inwards of raw materials	1 220
Wages:	
Factory operatives	29 175
Factory supervisor	24 000
Office staff	26 170
Rent and insurance	12 000
Factory power	14 120
Factory equipment – at cost	180 000
Factory equipment – provision for depreciation	64 800

Additional information

- Inventory at 31 March 2025:
 

	\$
Raw materials	7 100
Work in progress	14 390
Finished goods (shoes)	27 985
- Rent and insurance is to be apportioned 65% to the factory and 35% to the office.
- At 31 March 2025, Grace owed \$1315 for factory power and \$2000 for the factory supervisor's wages.
- Factory equipment is depreciated at 20% per annum using the reducing balance method.











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