



Cambridge O Level

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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.



- 1 Anika started in business on 1 March 2024, but she did not start to keep full book-keeping records until 1 March 2025.

Anika's assets and liabilities at 1 March 2025 were:

	\$
Premises	90 000
Motor vehicle	14 500
Inventory	3 625
Trade receivables:	
Kofi	3 000
Davia	2 140
Petty cash	86
Bank overdraft	1 080
Trade payables:	
Ado	1 925
Sam	210

REQUIRED

- (a) Prepare the opening journal entry at 1 March 2025. A narrative **is** required.

Anika Journal

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

[4]





Question 1 continues on page 4.





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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[illegible]

[11]



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]



- 2 Mo is a farmer. He prepares his financial statements to 31 December each year. He delivers his farm produce to his customers in his delivery vehicle.

Mo charges depreciation on vehicles at 20% per annum using the reducing balance method. He charges a full year's depreciation in the year of purchase and no depreciation in the year of disposal.

On 31 March 2024, he sold his delivery vehicle for \$2900 and received payment by cheque. He had purchased this delivery vehicle in June 2021 for \$10 000.

REQUIRED

- (a) Calculate the accumulated depreciation on the delivery vehicle which Mo sold on 31 March 2024.

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..... [3]

- (b) Prepare the disposal account for the sale of the delivery vehicle on 31 March 2024.

Mo
Disposal of vehicles account

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





DO NOT WRITE IN THIS MARGIN

Mo purchased a new delivery vehicle on 1 April 2024. The purchase price is made up as follows:

	\$
Cost of vehicle	12 500
Petrol	60
Insurance (6 months)	475
Number (licence) plates	215
Total	<u>13 250</u>

REQUIRED

- (c)** Calculate the amount which Mo will record in his delivery vehicle account for this transaction on 1 April 2024.

..... [2]

Mo is considering opening a shop to sell his farm produce. He hopes that customers will come to his farm and buy from the shop so that he will not need to deliver to them. He will use an existing farm building as his shop.

REQUIRED

- (d)** Advise Mo whether or not he should open the shop. Justify your answer by providing advantages and disadvantages of opening the shop.

[5]



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]





- 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 not 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]





(b) Prepare the suspense account at 30 April 2025.

Nabil
Suspense account

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

[4]

Nabil’s cash at bank balance before the errors were discovered was \$935.

REQUIRED

(c) Calculate Nabil’s bank balance at 30 April 2025 **after** the errors in the table in **part (a)** have been corrected.

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..... [4]

(d) State **one** use of a bank statement.

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..... [1]





- 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				

[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





(b) Prepare the statement of financial position for H Limited at 30 April 2025.

[illegible]

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[5]

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Question 5 starts on page 16.





- 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

- 1 Inventory at 31 March 2025:

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





(a) Prepare Grace's manufacturing account for the year ended 31 March 2025.

[illegible]

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Grace buys handbags for \$14 each and sells them for \$27 each. Grace counted her inventory of handbags on 31 March 2025 and found that:

- She had a total of 255 handbags.
- 15 handbags needed to be cleaned before sale. Grace needed to pay a total of \$21 to have them cleaned. She expected to sell them for \$25 each.
- 3 handbags had become damaged. Grace could not repair these handbags and decided to sell them for \$13 each.

REQUIRED

(b) Calculate the valuation of Grace's inventory of handbags at 31 March 2025.

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..... [4]

(c) State how Grace is applying the historic cost accounting principle when she prepares her financial statements.

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..... [1]





REQUIRED

- [5]

[Total: 20]



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