



Cambridge O Level

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ACCOUNTING

7707/22

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 Kadima is a trader. He sells on credit only. During March 2025, the following transactions took place.

- March 4 Paid Lee, \$196, by bank transfer in full settlement of an invoice for \$200
- 6 Received payment by cheque, \$291, from Sophiah who had deducted 3% cash discount
- 14 Paid motor expenses, \$26, by cash
- 19 Received payment by bank transfer, \$375, from Merve, a customer
- 22 Paid Mark, \$240, by online transfer, having deducted 4% cash discount
- 28 Withdrew \$400 cash from the bank for business use
- 29 Paid wages, \$362, in cash
- 30 Paid motor expenses, \$91, by cheque

REQUIRED

- (a) Complete Kadima's cash book on **page 3**. Balance the cash book and bring down the balances at 1 April 2025.



Kadima Cash Book

[illegible]



Kadima has received a bank statement dated 31 March 2025. The bank statement shows:

- 1 The cheque for motor expenses had **not** yet been presented to the bank.
- 2 The amount received from Merve was \$357. Kadima has checked his records and found that the amount shown on the bank statement is the correct amount.

REQUIRED

- (b)** Calculate the amount for the bank balance which Kadima would show in his statement of financial position at 31 March 2025.

[3]

Kadima is considering stopping using cash and cheques in his business. All payments would be made directly from the bank account and all customers would be required to pay by bank transfer. He would allow cash discount of 5% for all payments received within 30 days of the invoice.

REQUIRED

- (c) Advise Kadima whether or not he should make the above changes. Justify your answer by providing points for and against making these changes.

[5]

[Total: 20]



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- 2 Farah and Salma are sisters who trade as a partnership. Their partnership agreement provides for the following:

- interest on capital of 2% per annum
- interest on drawings of 4% per annum
- a salary to Farah of \$11 200 per annum
- residual profits and losses to be shared as Farah 30%, Salma 70%.

Farah and Salma provided the following details.

		\$
Profit for the year ended 28 February 2025		38 175
Capital accounts at 1 March 2024		
Farah		52 000
Salma		75 000
Current accounts at 1 March 2024		
Farah		3 450 credit
Salma		1 900 debit
Drawings for the year ended 28 February 2025		
Farah	drawn from bank on 31 December 2024	14 250
Salma	drawn from bank on 31 December 2024	14 250
	goods taken for own use 31 August 2024	5 750





REQUIRED

(a) Prepare the appropriation account for Farah and Salma for the year ended 28 February 2025.

Farah and Salma
Appropriation Account for the year ended 28 February 2025

	\$	\$
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[6]





- (b) Prepare Farah's current account for the year ended 28 February 2025. Balance the account and bring down the balance at 1 March 2025.

Farah
Current account

Date	Details	\$	Date	Details	\$
.....					
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[7]

Farah's partner, Salma, wanted to take further drawings.

REQUIRED

- (c) State **two** reasons why Salma should **not** take more drawings.

- 1
-
- 2
-

[2]





They are considering selling 30% of the ordinary share capital of the new company to each of their two brothers. The brothers would become directors and would manage the business.

Farah and each brother would receive a salary of \$15 000 each year.

REQUIRED

- (d)** Advise Farah and Salma whether or not they should make the above changes. Justify your answer with advantages and disadvantages to them of making these changes.

..... [5]

[Total: 20]

- 3 Jasmine owns a consulting business.

At 1 April 2024, Jasmine's ledger accounts included the following balances.

	\$
Motor vehicles	16 000
Provision for depreciation of motor vehicles	7 000
Trade receivables	12 220
Provision for doubtful debts	366
Rent (prepaid)	900
Rates (unpaid)	270

During the year ended 31 March 2025, Jasmine's bank payments included the following amounts.

	\$
Motor vehicles	18 000
Rent and rates	14 960

Additional Information

- Depreciation is to be provided at 25% per annum using the reducing balance method. A full year's depreciation is to be charged on vehicles purchased during the year.
- Trade receivables at 31 March 2025 were \$11 800. An amount of \$300 is still to be written off as irrecoverable.
- The provision for doubtful debts is to be maintained at 3% of net trade receivables.
- At 31 March 2025, prepaid rent was \$925 and unpaid rates were \$185.

REQUIRED

- (a) Prepare the provision for depreciation of motor vehicles account for the year ended 31 March 2025. Balance the account and bring down the balance at 1 April 2025.

Jasmine Provision for depreciation of motor vehicles account

Date	Details	\$	Date	Details	\$
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- (b) Prepare the provision for doubtful debts account for the year ended 31 March 2025. Balance the account and bring down the balance at 1 April 2025.

Jasmine
Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
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[4]

- (c) Prepare the rent and rates account for the year ended 31 March 2025. Balance the account and bring down the balances at 1 April 2025.

Jasmine
Rent and rates account

Date	Details	\$	Date	Details	\$
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[6]





At 31 March 2025, Jasmine had a bank overdraft of \$2620.

REQUIRED

- (d) Prepare the current assets section of Jasmine's statement of financial position at 31 March 2025.

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..... [3]

- (e) State:

- (i) how the principle of consistency is applied when charging depreciation.

.....

..... [1]

- (ii) **one** way Jasmine may reduce the possibility of irrecoverable debts.

.....

..... [1]

- (iii) which accounting principle Jasmine is applying by making an adjustment for rent prepaid.

.....

..... [1]

[Total: 20]







- 4 Bilal prepared a trial balance at 31 December 2024.

Bilal later discovered the following errors.

- 1 Goods taken for Bilal's own use, costing \$185, had been recorded as cash drawings.
- 2 Motor expenses, \$63, paid by bank transfer, had been recorded as \$36.
- 3 Capital introduced by Bilal, \$2000, had been credited to a bank loan account.
- 4 A purchase invoice, \$84, from Maya, had been debited to the account for Moira and credited to the purchases account.
- 5 Bilal's private insurance, \$130, had been recorded as business insurance.

REQUIRED

- (a) Prepare the journal entries on **page 15** to correct errors 1–5. Narratives are **not** required.



[11]



The balance on the capital account at 1 January 2024 was \$6200.

Before correcting the errors:

- original profit for the year was \$12 930
- drawings were \$11 260.

REQUIRED

(b) Calculate Bilal's profit for the year after correcting errors 1–5.

	\$
<i>Original profit for the year</i>	<i>12 930</i>
Profit for the year after correcting errors	

[5]

(c) Calculate the balance on the capital account at 31 December 2024.

	\$
<i>Balance on capital account at 1 January 2024</i>	<i>6 200</i>
Balance on capital account at 31 December 2024	

[4]

[Total: 20]





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- 5 Rexford is a trader. All his sales and purchases are on credit. He does not keep a full set of accounting records but has provided the following information.

Assets and liabilities at 1 January 2024:

	\$
Fixtures and fittings (cost)	28 000
Accumulated depreciation on fixtures and fittings	22 400
Inventory	6 000
Trade receivables	21 750
Insurance prepaid	300
Cash at Bank	3 425
Trade payables	5 680

Bank payments during the year to 31 December 2024:

	\$
Trade payables (after deducting cash discount of \$380)	68 100
Rent and insurance	10 120
General expenses	4 730
Wages	6 400
Drawings	12 200

Additional Information

- 1 The only amounts received during the year to 31 December 2024 were \$103 200 from trade receivables.
- 2 Rexford applies a mark-up of 50%.
- 3 Depreciation is charged at 20% using the straight-line method.
- 4 Inventory at 31 December 2024 was valued at \$400 more than inventory at 1 January 2024.
- 5 The amount owed to trade payables at 31 December 2024 was 25% more than the amount owed at 1 January 2024.





REQUIRED

- (a) Prepare Rexford's purchases ledger control account for the year to 31 December 2024. Balance the account and bring down the balance at 1 January 2025.

Rexford
Purchases ledger control account

Date	Details	\$	Date	Details	\$
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[4]

- (b) Prepare Rexford's income statement for the year ended 31 December 2024.

Rexford
Income Statement for the year ended 31 December 2024

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[8]



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