



Cambridge International AS & A Level

CANDIDATE
NAME
CENTRE
NUMBER

--	--	--	--	--

CANDIDATE
NUMBER

--	--	--	--

ACCOUNTING

9706/22

Paper 2 Fundamentals of Accounting

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.
- 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 an HB pencil for any rough working.
- You may use a calculator.
- You should present all accounting statements in good style.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION

- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [].

This document has **20** pages. Any blank pages are indicated.



- 1 H Limited's financial year ended on 31 December 2024. On that date, the following information was available.

Non-current assets included the following:

	Cost at 1 January 2024	Provision for depreciation at 1 January 2024	Depreciation policy	Allocation
Motor vehicles	\$80 000	\$28 400	20% per annum using the reducing balance method	75% Distribution costs 25% Administrative expenses
Furniture and equipment	\$45 000	\$16 200	15% per annum using the straight-line method	100% Administrative expenses

On 1 July 2024, equipment, which cost \$8000 when purchased on 1 January 2022, was sold for \$3900. Depreciation is provided on furniture and equipment on a month-by-month basis in the year of disposal.

- (a) Calculate the depreciation charge for 2024 on the following non-current assets.

- (i) Motor vehicles

.....
 [1]

- (ii) Furniture and equipment

.....

 [2]

- (b) Calculate the profit or loss on the disposal of equipment.

.....

 [2]



* 0000800000003 *



3

BLANK PAGE





Additional information

The books of account also included the following balances on 31 December 2024.

	\$
10% Debenture (2026)	80 000
Administrative expenses	11 560
Carriage outwards	2 700
Cost of sales	288 400
Debenture interest	4 000
Directors' remuneration	56 000
Distribution costs	9 800
Dividends paid	22 500
Office wages	37 150
Marketing expenses	24 240
Property at valuation at 1 January 2024	970 000
Rental income	7 200
Revenue	570 000
Sales staff wages and salaries	62 300

Additional information at 31 December 2024

- 1 Part of the premises has been rented out since 1 May 2024. The rental income is \$2400 for every three months payable in advance.
- 2 Directors' remuneration is an administrative expense.
- 3 Marketing expenses include the cost of an advertising campaign, \$8800, which runs from 1 September 2024 to 30 April **2026**.
- 4 Office wages owing were \$1250.
- 5 Sales staff are yet to be paid an annual bonus of 2% of all sales above \$450 000.
- 6 The debenture was issued on 1 April 2024.
- 7 Taxation for the year is estimated to be \$4200.





H Limited
Statement of profit or loss for the year ended 31 December 2024.

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the entire width of the page. There are no margins, text, or other markings present.

Distribution costs

Administrative expenses

Rental income



Additional information

- 1 During the year ended 31 December 2024, an issue of 400 000 ordinary shares of \$0.50 each was made at a premium of \$0.20 per share. The issue was fully subscribed.
 - 2 At 31 December 2024, the directors decided to revalue property at \$820 000.
- (d) Prepare the statement of changes in equity for the year ended 31 December 2024.

H Limited
Statement of changes in equity
for the year ended 31 December 2024

	Share capital \$	Share premium \$	Revaluation reserve \$	Retained earnings \$	Total \$
Balances at 1 January 2024			95 000	112 700	
Share issue					
Dividends paid					
Revaluation of property					
Profit for the year					
Balances at 31 December 2024	725 000	120 000			

[6]

Additional information

There are plans to expand the business which will require additional finance. The directors are considering two options.

Option A: Make a rights issue of 150 000 ordinary shares of \$0.50 each at a premium of \$0.20 per share.

Option B: Issue an 8% debenture (2027) for \$105 000.





..... [7]

[Total: 30]



- 2 Virat prepared the trial balance at 28 February 2025, the end of his financial year. However, the totals did **not** agree.

Control accounts are **not** maintained by the business.

A check of the entries in the books of account revealed the following errors.

- 1 A sales invoice, \$80, had been debited to the account of Rafiq instead of Raif.
- 2 A credit note, \$170, received from P Limited had been correctly recorded in the book of prime entry but had **not** been posted to the personal account.
- 3 No record has been made of goods taken by Virat for personal use, valued at cost, \$330.
- 4 The total of the discount received column in the cash book, \$97, had been debited to the discounts allowed account as \$79.
- 5 No entries had been made to record the receipt of \$370 from Abdul, a credit customer. The balance of his account had been written off in 2024.





(a) Prepare journal entries to correct the errors. Narratives are **not** required.

Journal

Error		Dr \$	Cr \$
1			
2			
3			
4			
5			

[8]





Additional information

Before the errors were corrected, a draft statement of profit or loss for the year ended 28 February 2025 had been prepared, showing a draft profit for the year of \$37 320.

(b) Calculate a revised figure for profit for the year ended 28 February 2025.

	\$
Draft profit for the year	37 320

[5]

(c) Explain why an error of principle would have no effect on the agreement of trial balance totals.

.....

.....

.....

..... [2]

[Total: 15]





3 Zak has **not** maintained full accounting records for his retail business.

He has provided the following details for the year ended 31 December 2024.

	\$
Purchases	82 980
Returns outwards	1 050

Inventory levels increased by \$2730 during the year ended 31 December 2024.

Zak's policy is to sell all goods to achieve a gross profit margin of 40%.

(a) Calculate the revenue for the year ended 31 December 2024.

.....

.....

.....

.....

.....

.....

.....

..... [4]





Additional information

Zak is not certain how much the business is owed by its credit customers at 31 December 2024. The following information is available.

- 1 At 1 January 2024, credit customers owed \$11 880.
- 2 Credit sales are 75% of total sales.
- 3 Bank statements show that \$96 900 was received from credit customers during the year ended 31 December 2024.
- 4 Some credit customers were given a 5% cash discount for prompt payment. Zak estimates that 20% of all receipts from credit customers were made after deducting the cash discount.

(b) Calculate the amount owed by credit customers at 31 December 2024.

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

Additional information

Zak would like to improve the credit control of his business.

(c) Identify **two** ways, other than allowing a cash discount, in which credit control can be improved.

1

.....

2

.....

[2]





(d) State **two** benefits of improving credit control.

- 1
-
- 2
-
- [2]

Additional information

Zak has decided to prepare full accounting records in future, using a computerised accounting system. However, he is concerned about the security of data.

(e) State **three** ways in which the security of data can be ensured within a computerised accounting system.

- 1
-
- 2
-
- 3
-
- [3]

[Total: 15]



- 4 M Limited manufactures a single product at one of its factories. The company uses marginal costing.

(a) Define the following terms:

(i) contribution

.....
 [1]

(ii) fixed costs

.....
 [1]

(iii) margin of safety.

.....
 [1]

Additional information

Currently, the factory is operating at full capacity of 8300 units per month. All production is sold. The following details are available about the single product.

Per unit	\$
Selling price	36
Direct labour	17
Direct materials	8
Fixed costs	6

The directors have a target profit of \$35 000 per month.





(b) Calculate the following in units:

(i) break-even point

.....

.....

.....

..... [3]

(ii) margin of safety.

.....

..... [1]

(c) Calculate the amount by which the monthly target profit is exceeded.

.....

.....

.....

..... [2]





Additional information

At a second factory, two products are currently being made, Product Exe and Product Wye. The following budgeted information is available.

	Product Exe	Product Wye
Selling price per unit	\$40	\$38
Direct materials per unit	\$14	\$15
Direct labour per unit	1.5 hours at \$8 per labour hour	1.25 hours at \$8 per labour hour
Monthly capacity	14 000 units	4000 units
Monthly output and sales	85% of capacity	100% of capacity

The factory's fixed costs per month are \$126 000.

The directors are aware that an overseas supplier could provide Product Wye resulting in a contribution to M Limited of \$17 per unit. The overseas supplier can supply 3000 units per month.

The directors are considering two options.

Option A

Continue with the production and sales of both Products Exe and Wye as now.

Option B

- 1 Stop production of Product Wye, and buy in 3000 units from the overseas supplier.
- 2 Most direct labour currently making Product Wye would be used to make additional units of Product Exe so that output reaches full capacity.
- 3 To sell all output of Product Exe, the selling price of all units of Product Exe would be reduced by 2.5%.
- 4 The directors will negotiate an increase in trade discount from 20% to 25% on all purchases of direct materials for Product Exe.
- 5 Direct labour currently producing Product Wye would require retraining at a cost of \$5000 to be written off at the start of the first month of operation.
- 6 The machinery currently used for production of Product Wye has a carrying value of \$23 000 and would be written off at the start of the first month of operation.





[6]

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN



[7]





Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

