



Cambridge IGCSE™ (9–1)

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
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ACCOUNTING

0985/21

Paper 2 Structured Written Paper

May/June 2020

1 hour 45 minutes

You must answer on the question paper.

No additional materials are needed.

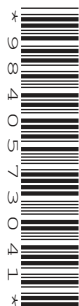
INSTRUCTIONS

- 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. Blank pages are indicated.



- 1 The ZED Sports Club has a shop which sells sportswear. The following details relate to the shop for the year ended 29 February 2020.

| | |
|-------------------|------|
| | \$ |
| Opening inventory | 900 |
| Closing inventory | 970 |
| Purchases | 7600 |
| Mark-up | 40% |

REQUIRED

- (a) Calculate the shop sales for year ended 29 February 2020.

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..... [4]

All the shop sales and purchases are for cash. All the club's receipts are paid into the bank and all payments are made by cheque. On 1 March 2019 the club's bank balance was overdrawn by \$845.

In addition to the shop sales and purchases, the following receipts and payments were made during the year ended 29 February 2020.

| | |
|---------------------------------|--------|
| | \$ |
| Subscriptions received | 11 400 |
| Competition fees received | 915 |
| Payments for competition prizes | 390 |
| Purchases of fittings | 4 000 |
| Rent and insurance | 4 575 |
| Wages of shop assistant | 2 000 |

The club's bank statement at 29 February 2020 showed a positive balance of \$7162.

On comparing the bank statement with the cash book, the treasurer found:

- 1 Competition fees, \$260, had not been recorded by the bank.
- 2 A cheque paid for \$25 for competition prizes had been charged twice by the bank.
- 3 The payment for fittings, \$4000, was made on 27 February 2020, and had not been recorded on the bank statement.

REQUIRED

(c) Prepare the bank reconciliation statement for ZED Sports Club at 29 February 2020.

ZED Sports Club
Bank Reconciliation Statement at 29 February 2020

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[5]

(d) State **three** differences between a receipts and payments account and an income and expenditure account.

| | Receipts and payments account | Income and expenditure account |
|---|-------------------------------|--------------------------------|
| 1 | | |
| 2 | | |
| 3 | | |

[3]

[Total: 20]

PLEASE TURN OVER

2 Ame provided the following balances from his books at 31 March 2020.

| | \$ |
|---|--------|
| Capital | 10 369 |
| Drawings | 4 000 |
| Equipment at cost | 15 500 |
| Provision for depreciation of equipment | 3 100 |
| Inventory at 1 April 2019 | 1 765 |
| Trade receivables | 1 290 |
| Bank overdraft | 475 |
| Trade payables | 1 600 |
| Sales | 31 250 |
| Purchases | 18 330 |
| Purchases returns | 910 |
| Carriage inwards | 640 |
| Discount received | 815 |
| Commission receivable | 1 500 |
| Rent and insurance | 5 700 |
| Office expenses | 2 425 |

Ame later discovered several errors had been made in the accounting records.

REQUIRED

- (b) Complete the 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 | \$ |
| No entry had been made for cash sales, \$60. | <i>Cash</i> | <i>60</i> | <i>Sales</i> | <i>60</i> |
| Office expenses, \$240, had been credited to the wages account. No debit entry had been made. | | | | |
| | | | | |
| The purchases journal total for March 2020 was \$2165. This amount was incorrectly recorded in the purchases account as \$2651. | | | | |
| | | | | |
| An insurance payment, \$375, had been correctly recorded in the cash book but no other entry had been made. | | | | |
| | | | | |
| The purchase of equipment, \$800, was correctly recorded in the cash book but debited to the office expenses account. | | | | |
| | | | | |

[9]

(c) Prepare the suspense account. Start with the difference on the trial balance prepared in Part (a). Balance or total the account as necessary.

Ame
Suspense account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
| | | | | | |
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[5]

[Total 20]

- 3 Chippo owns a manufacturing business which produces product S. She provided the following information for the year ended 30 April 2020.

| | \$ |
|---|---------|
| Revenue | 254 000 |
| Purchases of raw materials | 46 500 |
| Purchases of finished goods | 59 000 |
| Wages of factory operatives | 38 250 |
| Royalties paid to the inventor of product S | 7 690 |
| Factory general expenses | 4 500 |
| Factory fuel and power | 5 325 |
| Rent and insurance | 28 000 |
| Factory machinery at cost | 60 000 |
| Provision for depreciation of factory machinery | 21 600 |
| Inventory at 1 May 2019: | |
| raw materials | 3 120 |
| work in progress | 5 400 |
| finished goods | 8 220 |

Additional information

- 1 Factory machinery is depreciated at 20% per annum using the reducing balance method.
- 2 Rent and insurance is to be split equally between the factory and the office.
- 3 The annual salary of the factory supervisor is \$28 500.
- 4 Closing inventory at 30 April 2020 was:

| | \$ |
|------------------|-------|
| Raw materials | 3 000 |
| Work in progress | 5 590 |
| Finished goods | 7 885 |

4 Rani is a trader. Her financial year ends on 31 March.

She provided the following information about her three types of inventory at 31 March 2020.

| Inventory item | Number of units | Cost per unit | Selling price per unit | Selling expenses per unit |
|----------------|-----------------|---------------|------------------------|---------------------------|
| | | \$ | \$ | \$ |
| A | 110 | 17 | 20 | 2 |
| B | 85 | 18 | 19 | 1 |
| C | 90 | 15 | 16 | 2 |

REQUIRED

(a) Calculate the total value of Rani’s inventory at 31 March 2020.

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..... [4]

Rani later discovered that she had an amount of inventory of item D at 31 March 2020. This inventory originally cost \$1660. She considered this inventory to be obsolete.

REQUIRED

(b) Explain to Rani how the value of the inventory of item D affected the profit for the year ended 31 March 2020.

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..... [2]

Rani earns advertising income by placing advertising boards in her shop window. The following details relate to her advertising income.

On 1 April 2019 Rani had received \$420 in advance, and \$300 was owed to her.

During the year ended 31 March 2020, Rani received cheque payments totalling \$6000. She decided to write off the amount of \$300 due to her.

On 31 March 2020 Rani had received \$500 in advance, and \$400 was owed to her.

REQUIRED

- (d) Prepare the advertising income account in the ledger of Rani for the year ended 31 March 2020. Balance the account and bring down the balances on 1 April 2020.

Rani
Advertising income account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
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[7]

- (e) Explain to Rani the effect on gross profit of recording sales of inventory as advertising income.

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..... [2]

[Total: 20]

PLEASE TURN OVER

5 MPT Limited prepares its financial statements to 30 April each year.

The company's retained earnings at 1 May 2019 were \$14 000. The general reserve was \$35 000.

During the year ended 30 April 2020 the following took place.

- 1 The company made a profit for the year of \$28 000 after charging debenture interest.
- 2 A transfer of \$5000 was made to the general reserve.
- 3 A dividend of \$4500 was paid. No other dividends were payable for the year.

MPT Limited provided the following balances at 30 April 2020.

| | \$ |
|--------------------------------------|---------|
| Fixtures and equipment at book value | 152 000 |
| Motor vehicles at book value | 60 400 |
| Inventory | 30 330 |
| Bank overdraft | 6 200 |
| Trade payables | 24 900 |
| Trade receivables | 31 500 |
| Provision for doubtful debts | 630 |
| 5% Debentures (repayable 2025) | 20 000 |
| Ordinary share capital | 150 000 |

REQUIRED

(a) Calculate the retained earnings of MPT Limited at 30 April 2020.

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..... [3]

The directors of MPT Limited are considering using the general reserve to repay the bank overdraft.

REQUIRED

(c) State why it is not appropriate to use the general reserve to repay the bank overdraft.

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..... [1]

(d) Calculate the return on capital employed (ROCE) for the year ended 30 April 2020. The calculation should be correct to **two** decimal places and should be based on closing capital employed.

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..... [4]

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