



Cambridge O Level

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

7707/22

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 **20** pages. Blank pages are indicated.

1 Bilal is a trader. He buys goods on credit and for cash. He sells goods on a cash basis only.

The following transactions took place in April 2020.

- April 4 Bought goods on credit from Milly, list price \$320, subject to a trade discount of 20%
- 5 Bought goods on credit from EHL Limited, \$500
- 6 Bought stationery, \$145, paying by cheque
- 8 Cash sales, \$280, were paid immediately into Bilal's bank account
- 10 Paid \$128 cash to Milly
- 12 Cash sales, \$110
- 13 Bought goods on credit, \$250, from Todd who offers 4% cash discount for payments made within 14 days
- 17 Bought office equipment, \$500, paying by bank transfer
- 21 Paid by cheque for the goods purchased from Todd on 13 April after deducting the cash discount
- 24 Paid \$485 to EHL Limited by telephone transfer, having deducted 3% cash discount
- 28 Sold old office equipment for \$50 cash

REQUIRED

(a) Prepare the purchases journal for April 2020.

Total the journal and indicate the ledger account to which the total would be posted.

Bilal
Purchases journal

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

[4]

(b) Complete Bilal's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 May 2020.

(c) Name **one** accounting principle applied by Bilal in **each** of the following situations.

	accounting principle
The double entry for the posting of the purchases journal entries is completed by posting the individual amounts to the purchases ledger.	
The purchase of goods on 5 April did not include goods costing \$55 which Bilal bought for his own use.	
The stationery purchased on 6 April had been recycled. This is expected to improve the reputation of the business. Reputation is not recorded in the accounting statements.	
The value of office equipment shown in the financial statements was based on its purchase price.	

[4]

[Total: 20]

PLEASE TURN OVER

PLEASE TURN OVER

- 3 Gok is a wholesaler. He prepares his financial statements to the end of February each year.

At 29 February 2020, Gok's ledger account balances included the following.

	\$
Revenue	420 000
Purchases	311 400
Sales returns	12 000
Discount allowed	9 000
Wages	12 360
Rent and rates	11 750
General expenses	4 220
Irrecoverable debts	8 600
Insurance	4 500
Telephone expenses	4 565
Inventory at 1 March 2019	26 700
Drawings	9 500
Fixtures and equipment at cost	120 000
Provision for depreciation of fixtures and equipment	43 200

Additional information

- 1 Gok did not have time to count and value his inventory at 29 February 2020. His margin is 25%.
- 2 A loan of \$60 000 was obtained from the bank on 1 July 2019. Interest is charged at 7% per annum.
- 3 The fixtures and equipment are being depreciated at 20% per annum using the reducing balance method.
- 4 The insurance includes \$1500 which covers the period from 1 March to 30 September 2020.
- 5 Drawings include a payment of \$1660 for Gok's personal telephone expenses. One quarter of this amount was for business use.

PLEASE TURN OVER

(b) Identify the type of error made in

(i) Error 6

..... [1]

(ii) Error 7

..... [1]

(c) Complete the following statement to show the effect on the profit for the year of **correcting** errors 2–7. If there is no effect on profit write ‘nil’ in the ‘no effect’ column. Calculate the corrected profit for the year. Ignore depreciation of non-current assets.

The first correction has been completed as an example.

Nadia				
Statement of corrected profit for the year ended 31 March 2020				
				\$
Draft profit for the year before corrections				6720
	No Effect	Increase in profit \$	Decrease in profit \$	
Error 1		110		
Error 2	.....	.....	.....
Error 3	.....	.....	.....
Error 4	.....	.....	.....
Error 5	.....	.....	.....
Error 6	.....	.....	.....
Error 7	.....	.....	.....
Corrected profit for the year		_____	_____	_____

[7]

At 31 March 2020 Nadia's trade receivables owed \$14 500. After the preparation of the draft financial statements for the year ended 31 March 2020, Nadia discovered the following.

- 1 \$300 owed by DD Supplies should have been written off as irrecoverable.
- 2 A provision of doubtful debts of 2% of trade receivables should have been created.

REQUIRED

(d) Prepare journal entries to record 1 and 2 above. Narratives are **not** required.

Nadia
Journal

Date	Details	Debit \$	Credit \$
.....
.....
.....
.....
.....
.....
.....

[4]

[Total: 20]

5 The directors of JKY Limited provided the following information.

For the year to 30 April 2020:

	\$
Revenue	209510
Purchases	121618

At 30 April 2020:

Inventory	11050
Trade receivables	28700
Bank overdraft	6280

All sales and purchases were made on credit terms.

Inventory at 1 May 2019 was valued at \$8000

REQUIRED

(a) Calculate the following ratios. Show your workings.

Rate of inventory turnover	
workings	answer (to two decimal places)

Trade receivables turnover (days)	
workings	answer (round up to nearest whole day)

[5]

The rate of inventory turnover for the year ended 30 April 2020 was lower than that of the previous year.

The trade receivables turnover (days) for the year ended 30 April 2020 was higher than that of the previous year.

REQUIRED

(b) Explain the effects of the change in:

(i) inventory turnover

.....
.....
.....
.....
..... [3]

(ii) trade receivables turnover (days)

.....
.....
.....
.....
..... [3]

(ii) relevance

.....

.....

.....

..... [2]

[Total: 20]

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