



# Cambridge IGCSE™ (9–1)

CANDIDATE  
NAME

CENTRE  
NUMBER

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## ACCOUNTING

0985/21

Paper 2 Structured Written Paper

May/June 2023

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 Shvan maintains a petty cash book using the imprest system. The imprest amount, which is \$200, is restored every Wednesday.

All payments of less than \$75 are made from petty cash. All cash receipts of less than \$75 are paid into petty cash.

On 1 March 2023 Shvan had \$61 in his petty cash box. He provided the following information for the first week in March 2023.

|       |   |  |
|-------|---|--|
| March | 1 | Restored petty cash imprest from the business bank account |
|       | 2 | Paid \$55 to Giles, a trade payable                        |
|       | 3 | Paid taxi fare, \$21                                       |
|       | 6 | Paid \$18 for notepads and pens                            |
|       | 6 | Received cash, \$25, from Mitchell, a trade receivable     |
|       | 7 | Paid \$30 for office cleaning                              |

#### REQUIRED

- (a) Prepare Shvan's petty cash book for the first week of March 2023, on the page opposite. Balance the petty cash book at 7 March 2023 and bring down the balance at 8 March 2023.

Shvan  
Petty Cash Book

| Total received<br>\$ | Date  | Details | Total paid<br>\$ | Office expenses<br>\$ | Travel<br>\$ | Ledger accounts<br>\$ |
|----------------------|-------|---------|------------------|-----------------------|--------------|-----------------------|
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |
| .....                | ..... | .....   | .....            | .....                 | .....        | .....                 |

[10]

Shvan makes payments to Giles from his bank account as well as by cash. He provided the following information.

- March 1 Owed Giles, \$165, from February
- 13 Paid Giles the amount outstanding on his account, by cheque
- 22 Purchased goods on credit from Giles, list price \$150, subject to a trade discount of 4%

(b) Prepare the account for Giles as it would appear in the books of Shvan. Balance the account at 31 March 2023 and bring down the balance at 1 April 2023.

Shvan  
Giles account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |

[4]

Shvan is considering whether to stop keeping cash at his business premises. He would require all customers to transfer payment directly into his bank account and he would make all business payments from his bank account.

**REQUIRED**

(c) (i) State **one** way Shvan could pay his suppliers, from his bank account, other than by cheque.

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..... [1]



- 2 Stalla is a sole trader who sells on credit. She maintains a provision for doubtful debts at 4% of trade receivables.

Stalla's trade receivables were:

|                     |        |
|---------------------|--------|
|                     | \$     |
| At 31 December 2021 | 75 000 |
| At 31 December 2022 | 77 000 |

**REQUIRED**

- (a) (i) Prepare Stalla's provision for doubtful debts account for the year ended 31 December 2022. Balance the account at 31 December 2022 and bring down the balance at 1 January 2023.

Stalla  
Provision for doubtful debts account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |

[3]

- (ii) State **two** reasons why Stalla maintains a provision for doubtful debts.

1 .....

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2 .....

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[2]

Stalla charges depreciation at 25% per annum, using the reducing balance method. She charges a full year's depreciation in the year a vehicle is purchased and none in the year it is sold.

On 31 December 2022, Stalla sold a vehicle for \$9500. The vehicle had cost \$16000 on 1 September 2020.

**REQUIRED**

(b) Calculate the gain or loss on disposal of the vehicle.

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..... [4]

The balances on Stalla's ledger accounts at 1 January 2022 included the following.

|  |        |
|--|--------|
|  | \$     |
| Motor vehicles                               | 48 000 |
| Provision for depreciation on motor vehicles | 21 000 |

(c) (i) Prepare Stalla's motor vehicles account for the year ended 31 December 2022. Balance the account at 31 December 2022 and bring down the balance at 1 January 2023.

Stalla  
Motor vehicles account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
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[2]

- (ii) Prepare Stalla's provision for depreciation on motor vehicles account for the year ended 31 December 2022. Balance the account at 31 December 2022 and bring down the balance at 1 January 2023.

Stalla  
Provision for depreciation on motor vehicles account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
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| ..... | .....   | ..... | ..... | .....   | ..... |

[5]

Stalla had an extension to her retail premises built during 2023. The extension will be used as an office.

**REQUIRED**

- (d) Place a tick (✓) in the correct box below to indicate whether each cost is capital expenditure or revenue expenditure.

|  | Capital expenditure | Revenue expenditure |
|--|---------------------|---------------------|
| Legal fees for obtaining permission to build the extension |                     |                     |
| Building costs for the extension                           |                     |                     |
| Insurance for the office                                   |                     |                     |
| Painting the office extension                              |                     |                     |
| Office calendar for 2023                                   |                     |                     |
| Purchase of office equipment                               |                     |                     |
| Installation of office equipment                           |                     |                     |
| Stationery for office                                      |                     |                     |

[4]

[Total: 20]



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- 3 Eshe is a trader. She has prepared a trial balance at 31 March 2023. The totals did not agree and the difference was placed in a suspense account.

Eshe later discovered the errors shown in the following table.

**REQUIRED**

- (a) 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          | \$    |
| A payment for rent, \$300, had been debited to the insurance account.   | <i>Rent paid</i>                      | 300   | <i>Insurance</i> | 300   |
| Credit sales to Raymond of \$105 had been debited to the sales account and credited to Raymond's account.         | .....                                 | ..... | .....            | ..... |
| Eshe's total drawings from the bank for her own use, \$9500, had been debited to the cash account.                | .....                                 | ..... | .....            | ..... |
| A purchases invoice from Danika for \$137 had been recorded in her account and in the purchases journal as \$173. | .....                                 | ..... | .....            | ..... |
| Returns inwards, \$44, had not been recorded in the returns inwards account.                                      | .....                                 | ..... | .....            | ..... |
| The motor expenses account had been overcast by \$100.  | .....                                 | ..... | .....            | ..... |

[10]

(b) Prepare the suspense account. Include the balancing figure as the original difference on the trial balance.

Eshe  
Suspense account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
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[3]

Eshe’s capital at 1 April 2022 was \$31 000. Her draft profit for the year ended 31 March 2023 **before** correction of the errors was \$15 600.

**REQUIRED**

(c) Calculate Eshe’s capital at 31 March 2023 **after** the errors have been corrected.

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[7]

[Total: 20]

- 4 Salman owns a footwear factory. He sells to all of the three local shoe shops. Salman prepares his financial statements to 30 April each year.

At 30 April 2023, Salman's ledger account balances included the following.

|  | \$           |
|--|--------------|
| Inventory at 1 May 2022                        |              |
| Raw materials                                  | 8 190        |
| Work in progress                               | 15 200       |
| Finished goods                                 | 23 860       |
| Purchases of raw materials                     | 78 420       |
| Purchases of finished goods                    | 90 144       |
| Wages  |              |
| Factory supervisor                             | 27 500       |
| Factory operatives                             | 52 396       |
| Rates and insurance                            | 17 528       |
| Factory electricity                            | 11 442       |
| General factory expenses                       | 8 244        |
| Factory equipment – at cost                    | 90 000       |
| Factory equipment – provision for depreciation | 43 920       |
| Balance at bank                                | 31 000 debit |

Additional information

- 1 Inventory at 30 April 2023
 

|                  |        |
|------------------|--------|
| Raw material     | 8 000  |
| Work in progress | 16 100 |
| Finished goods   | 24 590 |
- 2 Salman applies a mark-up of 50% to his cost of sales.
- 3 Rates and insurance are to be apportioned three quarters to the factory and one quarter to the office.
- 4 At 30 April 2023, factory electricity of \$1048 was unpaid.
- 5 Factory equipment is depreciated at 20% per annum using the reducing balance method.



(b) Prepare the trading section of Salman's income statement for the year ended 30 April 2023.

Salman  
Income Statement (trading section) for the year ended 30 April 2023

|       | \$    | \$    |
|-------|-------|-------|
| ..... | ..... | ..... |
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[5]

Salman is considering converting some of his office space into additional factory capacity.

- (c) Advise Salman whether he should convert some of his premises from office use to factory use. Justify your answer by providing arguments for and against this conversion of office space into additional factory capacity.

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[Total: 20]

- 5 Q Limited prepares its financial statements to 31 March each year. The company's retained earnings at 1 April 2022 were \$16 250.

During the year ended 31 March 2023, the company made a profit of \$43 500 (after charging all expenses and interest). The total dividends of \$39 000 for the year were paid by 31 March 2023.

The following balances were extracted from the company's ledger accounts after the income statement had been prepared.

|  | \$          |
|--|-------------|
| Fittings and equipment at cost                       | 150 000     |
| Provision for depreciation of fittings and equipment | 40 650      |
| Motor vehicles at cost                               | 72 000      |
| Provision for depreciation of motor vehicles         | 31 125      |
| Inventory  | 51 790      |
| Balance at bank                                      | 1 076 debit |
| Trade receivables                                    | 19 700      |
| Provision for doubtful debts                         | 591         |
| Trade payables                                       | 31 450      |
| 5% Debentures (repayable 2029)                       | 40 000      |
| Bank loan (repayable 2027)                           | 10 000      |
| Ordinary share capital                               | 120 000     |

**REQUIRED**

- (a) Calculate the retained earnings of Q Limited at 31 March 2023.

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..... [3]





(c) Calculate the liquid (acid test) ratio to two decimal places.

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..... [2]

The directors (who are also the shareholders) would like to expand the company and wish to borrow \$50 000 to fund the expansion. They are considering whether to issue further ordinary shares or to request another long-term bank loan.

**REQUIRED**

(d) (i) Suggest **two** reasons why although the company has made a profit, there is little cash available in the bank account to fund the expansion.

1 .....  
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2 .....  
..... [2]

(ii) Advise the directors whether they should fund the expansion by issuing ordinary shares or requesting a bank loan. Justify your answer.

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[Total: 20]



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