



Cambridge O Level

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

7707/02

Paper 2 Structured Written Paper

For examination from 2020

SPECIMEN PAPER

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 answers.

This document has **20** pages. Blank pages are indicated.

- 1 Shahid is a trader. He maintains a full set of accounting records including a three-column cash book.

On 1 August 2017 Shahid had the following balances in his cash book.

	\$
Cash	50
Bank overdraft	7150

Shahid's transactions for August 2017 included the following.

- August 9 A cheque received in July for \$362 from EN Supplies was dishonoured by the bank
- 18 Paid \$54 by cheque for fuel of private motor vehicle
- 24 Received a cheque from Mariam to settle her debt of \$520, less 2½% cash discount
- 27 Paid \$400 by cheque. This included \$365 for new office equipment and the balance was for repairs to existing office equipment.
- 30 Cash sales, \$3224
- 31 Paid all the remaining cash into the bank except \$100

REQUIRED

- (a) Complete Shahid's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 September 2017.

The following incomplete statement of account was available on 31 August 2017.

STATEMENT OF ACCOUNT				
Shahid				
44 Narrow Lane, Anytown				
Mariam The Avenue Weston			31 August 2017	
Date	Reference	Debit \$	Credit \$	Balance \$
2017				
Aug 1	Balance due			520
9	Goods	340		860
13	Returns		24	?
24	Payment		507	?
	Discount		13	?

REQUIRED

- (b) State the business document and the book of prime entry Shahid would use to record the following transactions which appear on the statement of account.

Transaction	Document	Book of prime entry
August 9 Goods
13 Returns

[4]

2 Yasmin opened a garment factory on 1 May 2016.

She provided the following information.

	\$
On 1 May 2016	
Cost of factory machinery	35 000
Cost of office furniture and equipment	8 500
Cost of tools	1 000
For the year ended 30 April 2017	
Revenue	113 640
Purchases of raw materials	30 100
Purchases of finished goods	15 700
Wages and salaries	
Factory operatives	31 500
Factory supervisors	11 860
Office and sales staff	32 200
General expenses	
Factory	3 240
Office	1 950
Rates	
Factory	4 500
Office	1 500
At 30 April 2017	
Inventory	
Raw materials	3 150
Work in progress	2 820
Finished goods	6 800
Value of tools	830
Wages accrued	
Factory operatives	800
Office and sales staff	950

Additional information

- 1 No additional non-current assets were purchased during the year.
- 2 The factory machinery is to be depreciated at 20% per annum on cost.
- 3 The office furniture and equipment is to be depreciated at 15% per annum on cost.
- 4 The tools are to be revalued at the end of each financial year.

(d) Suggest **one** way in which Yasmin could increase the percentage of gross profit to revenue.

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

[Total: 20]

- (d) Identify the section of the statement of financial position at 31 December 2016 in which the balance on the rent receivable account would appear.

Give a reason for your answer.

Section of statement of financial position

Reason

.....

..... [2]

Amla has been given the opportunity to pay her rates monthly by direct debit.

REQUIRED

- (e) Advise Amla whether or not she should start paying her rates in this way. Support your answer with **one** advantage and **one** disadvantage.

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.....

.....

..... [3]

[Total: 20]

Wasim prepared draft financial statements for the year.

REQUIRED

- (d) Complete the following table by placing a tick (✓) in the correct column to indicate whether the profit for the year would be affected by **each** of the errors.
Ignore depreciation of non-current assets.

The first one has been completed as an example.

error number	affects the profit for the year	does not affect the profit for the year
1	✓	
2		
3		
4		
5		
6		
7		

[6]

[Total: 20]

5 K Limited provided the following information.

1 Its issued ordinary share capital consists of 180 000 ordinary shares of \$0.50 each.

2 On 1 October 2016:

	\$
General reserve	4000
Retained earnings	5500

3 The profit for the year ended 30 September 2017 was \$9000.
 \$2000 of this was transferred to the general reserve.
 An interim dividend of \$4500 was paid during the year.
 No dividends were proposed at the end of the year.

REQUIRED

(a) Prepare the statement of changes in equity for the year ended 30 September 2017.

K Limited
 Statement of Changes in Equity for the year ended 30 September 2017

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 October 2016
.....
.....
.....
On 30 September 2017

[5]

K Limited provided the following information at 30 September 2017.

	\$
Non-current assets at book value	102 200
Bank overdraft	6 100
Inventory	5 100
Trade receivables	8 500
Trade payables	4 300
Other payables	1 400

REQUIRED

(b) Complete the following table.

current ratio	
workings	answer to two decimal places

liquid (acid test) ratio	
workings	answer to two decimal places

return on capital employed (ROCE)	
workings	answer to two decimal places

K Limited is allowed 30 days in which to pay its accounts to its credit suppliers. For the year ended 30 September 2017 its trade payables turnover was 52 days.

REQUIRED

(e) Discuss how the trade payables turnover of 52 days may affect K Limited.

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.....

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..... [3]

[Total: 20]

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