

Cambridge Assessment International Education

O Level 7707

ACCOUNTING

Topical Paper 2

2013-2021 | All variants

All Topics / Mark Scheme

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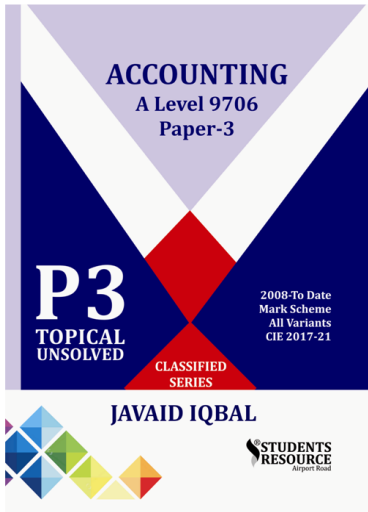
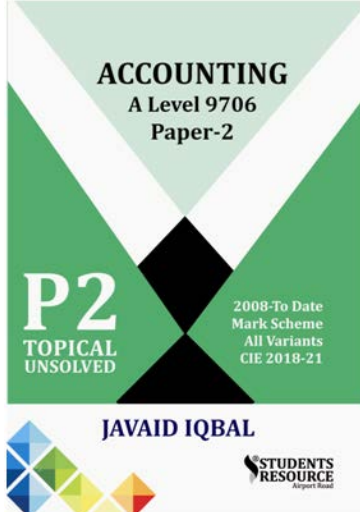
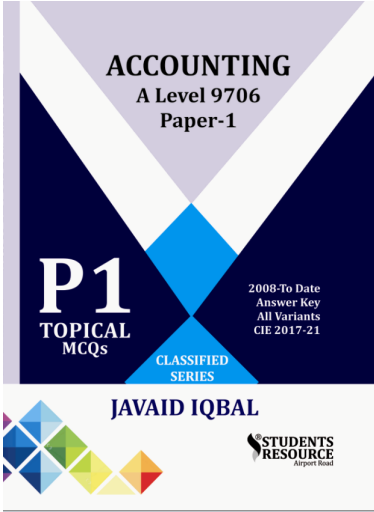
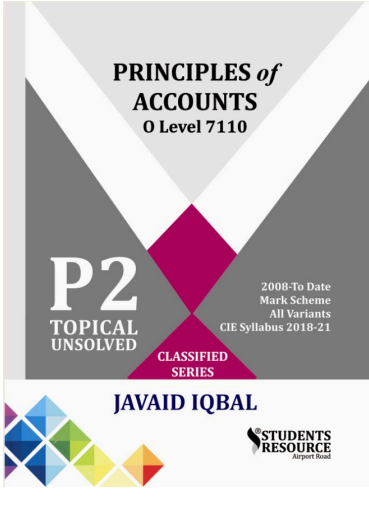
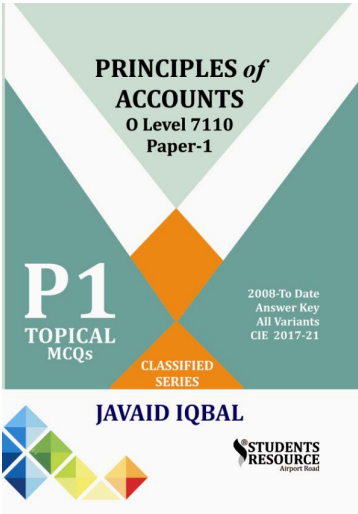
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Topic 1

Accounting Basic,

Day Books and

.....Ledge®

1 Adil's transactions in August 2014 included the following.

7110/21/O/N/14/Q1

- August 2 Purchased goods on credit from Tiara, \$1500, less 20% trade discount.
- August 5 Returned goods to Tiara, list price \$300.
- August 7 Paid a cheque to Tiara, \$500, after deducting \$6 cash discount.
- August 9 Sold non-current assets on credit to D Costa, at book value, \$4000.

REQUIRED

(a) Complete the following table for the above transactions. The first item has been completed as an example.

Date	Source document	Book of prime entry	Effect on owner's capital
August 2	<i>Purchase invoice</i>	<i>Purchases journal</i>	<i>No effect</i>
August 5			
August 7			
August 9			

[9]

(b) State the sub division of the ledger containing each of the following accounts:

Account	Sub division of the ledger
Purchases	
Tiara	
Non-current assets	
D Costa	

[4]



On 31 August 2014 Adil had the following balances in his books. He was aware that there were some book-keeping errors and that the trial balance would not balance.

	\$
Non-current assets	9 500
Trade payables	8 500
Trade receivables	7 250
Inventory	3 850
Bank overdraft	1 600
Purchases	14 400
Revenue	22 000
Bank loan	2 000
Capital	3 000

REQUIRED

- (c) Complete the trial balance at 31 August 2014, balancing the trial balance by the use of an appropriate account.

Adil
Trial Balance at 31 August 2014

	Debit	Credit
	\$	\$
Non-current assets		
Trade payables		
Trade receivables		
Inventory		
Bank overdraft		
Purchases		
Revenue		
Bank loan		
Capital		

[5]



2 The following were some of the transactions which took place in July. **7110/22/O/N/14/Q1(d)**

- 5 July Purchased inventory on credit.
- 10 July Goods returned by a credit customer.
- 20 July Paid wages in cash.
- 25 July Disposed of fixtures and fittings on credit.

REQUIRED

Complete the following table for the above transactions naming the source document prepared by Maria and the book of prime entry used. The first item has been completed as an example.

	Source document	Book of prime entry
5 July	<i>Purchase invoice</i>	<i>Purchases journal</i>
10 July		
20 July		
25 July		

[6]

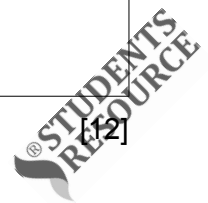
3 The following were some of the transactions completed in April 2015. **7110/21/M/J/15/Q1(c)**

- April 9 Sold goods on credit to Yash.
- April 11 Yash returned goods sold on 9 April as they were damaged.
- April 14 Paid wages by cheque.
- April 19 Purchased office fixtures on credit from Equip Limited.

REQUIRED

Complete the following table. The first item has been completed as an example.

Date	Transaction	Source document	Book of prime entry	Account debited	Account credited
April 9	Sold goods on credit to Yash.	<i>Sales invoice</i>	<i>Sales journal</i>	<i>Yash</i>	<i>Sales</i>
April 11	Yash returned goods sold on 9 April as damaged.				
April 14	Paid wages by cheque.				
April 19	Purchased office fixtures on credit from Equip Limited.				



[12]

7110/22/M/J/15/Q1

- 4 The following balances were available from the books of Priya on 1 April 2015.

	\$
Putil	3000 credit
Wages	1750 debit

The following transactions took place in April 2015.

- April 5 Paid Putil half of his outstanding balance on 1 April by cheque, less 2% cash discount
 April 8 Bought goods on credit from Putil, \$800, less 20% trade discount
 April 19 Paid wages in cash \$450
 April 23 Returned goods, list price \$200, purchased on 5 April
 April 26 Sold a non-current asset at book value, \$2000, on credit

REQUIRED

- (a) Complete the following table. The first item has been completed as an example. Where the owner's capital is not affected, write 'No effect'.

Date	Transaction	Source document	Book of prime entry	Effect on owner's capital \$
April 5	Paid Putil half of his outstanding balance on 1 April by cheque, less 2% cash discount	<i>Cheque counterfoil</i>	<i>Cash book</i>	+30
April 8	Bought goods on credit from Putil, \$800, less 20% trade discount			
April 19	Paid wages in cash \$450			
April 23	Returned goods, list price \$200, purchased on 8 April			
April 26	Sold a non-current asset at book value, \$2000, on credit			

[12]

(b) Prepare the account of Putil for the month of April 2015. Balance the account and bring down the balance on 1 May 2015.

Putil account

Date	Details	\$	Date	Details	\$

[5]

Priya prepared her income statement on 30 April 2015. She calculated that wages, \$150, were prepaid at that date.

REQUIRED

(c) Prepare the wages account for the month of April 2015 including the transfer to the income statement. Balance the account and bring down the balance on 1 May 2015.

Wages account

Date	Details	\$	Date	Details	\$

[3]

5 Abbie supplied the following information related to a credit customer, Izzat. **7110/22/O/N/15/Q1(c,d,e)**

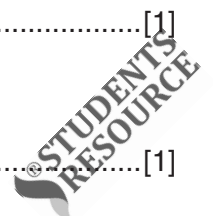
- October 1 Balance owed by Izzat to Abbie \$750
- 5 Sold goods on credit to Izzat, \$1800, less 20% trade discount
- 6 Izzat returned goods, list price \$350
- 21 Received a cheque from Izzat, \$800
- 22 The remaining balance on Izzat’s account was written off as irrecoverable.

(a) (i) Name the subdivision of the ledger containing Izzat’s account.

.....[1]

(ii) Name the document issued by Abbie to Izzat on 5 October 2015.

.....[1]



(b) Prepare the account of Izzat in the books of Abbie.

Izzat account

Date	Details	\$	Date	Details	\$

[5]

(c) Prepare the general journal entry for the transaction on 22 October. A narrative is required.

General journal

Date		Dr \$	Cr \$

[3]

6 Faara had the following assets and liabilities on 1 May 2015. **7110/22/M/J/16/Q1(a-c,f)**

	\$	
Inventory	2850	
Trade receivable – Jaafar	600	
Other payables – Electricity	200	
Bank	450	Credit
5% Bank loan (30 September 2020)	5000	
Motor vehicle	4500	

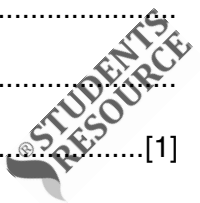
REQUIRED

(a) Calculate Faara’s capital.

.....

.....

..... [1]



The following transactions related to the account of Jaafar for the month ended 31 May 2015.

- May 4 Sold goods to Jaafar, list price \$1500, allowed 15% trade discount.
- 5 Jaafar returned goods purchased on 4 May, list price \$120.
- 16 Jaafar paid the amount owing on 1 May by cheque and was allowed 2% cash discount.

REQUIRED

(b) Prepare the ledger account of Jaafar for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

Jaafar account

Date	Details	\$	Date	Details	\$

[5]

(c) State **two** possible reasons why Faara allowed trade discount to Jaafar.

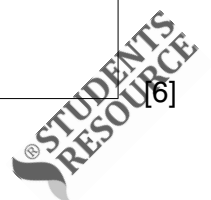
1

2[2]

(d) Complete the following table for the transactions shown. Name the source document prepared by Faara and the book of prime entry used, and state the effect of the transaction on her capital. The first item has been completed as an example.

		Source document	Book of prime entry	Effect on owner's capital (\$)
May 9	Sold goods on credit for \$900, (cost \$600).	<i>Sales invoice</i>	<i>Sales journal</i>	<i>+300</i>
14	Customer returned goods, bought by him on 9 May for \$300.			
21	Paid wages in cash \$150.			

[6]



7110/21/O/N/16/Q1(a,b,e)

- 7 Gabi is in business buying and selling goods on credit. The following details relate to the account of her customer, Kacela, for the month of September 2016.

		\$
September 1	Opening balance owed by Kacela to Gabi	900
9	Invoice sent to Kacela	730
14	Credit note sent to Kacela	25
30	Cheque received and banked by Gabi	860
30	Discount allowed by Gabi	40

REQUIRED

- (a) Prepare the account of Kacela in the books of Gabi. Balance the account and bring down the balance on 1 October.

Kacela account

Date	Details	\$	Date	Details	\$

[6]

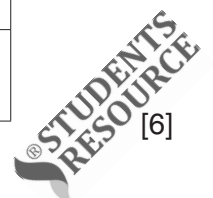
- (b) Name the sub-division of Gabi’s ledger which will contain the account of Kacela.

.....[1]

- (c) Complete the table for the transactions shown. Name the source document and the book of prime entry used by Gabi. The first item has been completed as an example.

	Source document	Book of prime entry
Sold goods on credit	<i>Sales invoice</i>	<i>Sales journal</i>
Paid wages in cash		
Purchased office fixtures on credit		
Goods returned by a credit customer		

[6]



7110/22/O/N/16/Q1

- 8 The following balances remained in the books of Fabio at 30 June 2016. He was aware that there were some book-keeping errors and that the trial balance would **not** balance.

	\$
Motor vehicle	9 500
Trade payables	8 500
Inventory	4 850
Revenue (Sales)	22 000
Purchases	14 400
Bank loan	2 000
Bank overdraft	1 630
Trade receivables	7 250
Capital	3 000

REQUIRED

- (a) Complete the trial balance at 30 June 2016, balancing the trial balance by the use of an appropriate account.

Fabio
Trial Balance 30 June 2016

	Debit	Credit
	\$	\$
Motor vehicle		
Trade payables		
Inventory		
Revenue (Sales)		
Purchases		
Bank loan		
Bank overdraft		
Trade receivables		
Capital		

[4]

On inspection of his books, Fabio located the following errors.

- 1 A sale of goods, \$850, had been correctly recorded in the account of a credit customer, but had been recorded in the revenue (sales) account as \$580.
- 2 A purchase of goods, \$700, had been correctly entered in the account of a credit supplier, but had been credited to the purchases account.



REQUIRED

(b) Prepare the general journal entries to correct errors 1 and 2. Narratives are **not** required.

General journal

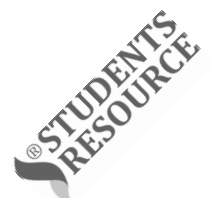
	Debit	Credit
	\$	\$

[4]

(c) Complete the following table for **each** of Fabio’s transactions in July 2016. If the capital is not affected write ‘No effect’. The first transaction has been completed as an example.

Transaction	Book of prime entry	Account to be debited	Account to be credited	Effect on capital \$
Sold goods costing \$900 on credit to Noah for the list price of \$1500.	<i>Sales Journal</i>	<i>Noah</i>	<i>Revenue (Sales)</i>	<i>+\$600</i>
Noah returned goods with a list price of \$100.				
Paid Sophie a cheque for \$610.				
A debt, \$230, owed by Zain was written off.				

[12]



7110/21/M/J/17/Q1(a-c)

9 Nor purchases goods from Adam. On 1 April Nor owed Adam \$1500. The following transactions occurred in April 2017.

April 9 Adam sold goods to Nor on credit, list price \$1200, less 20% trade discount.

11 Nor returned goods purchased on 9 April, list price \$100.

28 Nor paid by cheque the balance on her account at 1 April and was allowed 3% cash discount.

REQUIRED

(a) Prepare the account of Adam in the ledger of Nor for April 2017. Balance the account and bring down the balance on 1 May 2017.

Adam account

Date	Details	\$	Date	Details	\$

[5]

(b) Name the:

(i) book of prime (original) entry in which the transaction on 9 April would be recorded by Nor.

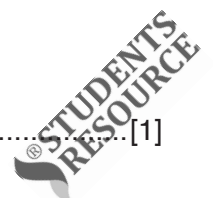
.....[1]

(ii) document that Adam would send to Nor on 11 April.

.....[1]

(iii) division of Nor’s ledger in which the account of Adam would be kept.

.....[1]



(c) State **one** reason why Adam would allow Nor:

(i) trade discount

.....
[1]

(ii) cash discount

.....
[1]

7110/22/M/J/17/Q1

10 Chung is a trader who buys and sells on cash and credit terms. He provided the following information for April 2017.

April 1 Chung owed Delun, a credit supplier, \$1500.

10 Chung purchased goods on credit from Delun, list price \$1400, less 20% trade discount.

15 Chung returned to Delun some of the goods purchased on 10 April, list price \$200.

23 Chung paid the balance owed to Delun at 1 April by cheque and was allowed 2% cash discount.

REQUIRED

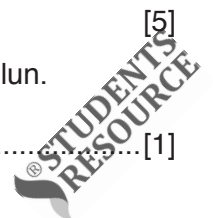
(a) Prepare the account of Delun in the ledger of Chung for April 2017. Balance the account and bring down the balance on 1 May 2017.

Delun account

Date	Details	\$	Date	Details	\$

(b) State the sub-division of Chung’s ledger which would contain the account of Delun.

.....[1]



(c) Name the document that was issued by Delun to Chung on the following dates.

April 10 Chung purchased goods on credit from Delun.

Document

April 15 Chung returned to Delun some of the goods purchased on 10 April.

Document [2]

(d) Name the document which Delun may issue to Chung on 30 April 2017.

..... [1]

(e) Complete the table to state the effect of **each** of the following transactions made by Chung in April 2017. Where there is no effect write 'No effect'. The first transaction has been completed as an example.

Transaction	Assets \$	Liabilities \$	Capital \$
Purchased goods on credit at a cost of \$500	+500	+500	No effect
Sold goods on credit for \$700 (cost \$400)			
Paid Yang, a credit supplier, \$2050 in full settlement of a debt of \$2200			
Purchased goods, \$130, and paid in cash			

[9]

(f) State **two** reasons why book-keeping records are maintained.

1

.....

2

..... [2]



7110/22/O/N/17/Q1(a-c, e,f)

11 On 1 September 2017 the balance of the bank column in Keung’s cash book was \$1900 debit.

The transactions for the month of September 2017 were:

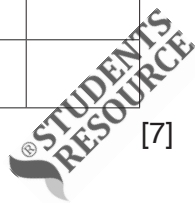
- September 5 Received and banked a cheque, \$830, from Cello, a credit customer. He had deducted \$20 cash discount.
- 8 Paid general expenses by cheque, \$725.
- 14 Francis, a credit customer, paid his debt of \$2000 by cheque after deducting a cash discount of 3%.
- 23 Received and banked a cheque from Alice, a credit customer, \$300.
- 26 Paid a cheque to Tansley, a supplier, in full settlement of his account of \$3500 less 2% cash discount.
- 29 The bank returned the cheque received from Alice on 23 September as dishonoured.

REQUIRED

(a) Prepare the bank and discount columns of the cash book for September 2017. Balance the bank column and bring down the balance on 1 October 2017.

Cash Book (extract)

Date	Details	Discount \$	Bank \$	Date	Details	Discount \$	Bank \$



[7]

The books of Keung show a total discount received of \$275 for the eleven months from 1 October 2016 to 31 August 2017.

REQUIRED

(b) Prepare the discount received account for the year ended 30 September 2017. Show the year end transfer to the appropriate financial statement.

Discount Received account

Date	Details	\$	Date	Details	\$

[3]

(c) Name the sub-division of the ledger which will contain the following accounts.

	Sub-division
Discount allowed	
Tansley	

[2]

(d) Name the following documents used by Keung.

	Document
A written acknowledgement of money received	
A demand for payment	
A summary of transactions for a period issued to a customer	

[3]

Keung prepares his ledger accounts using the T account format.

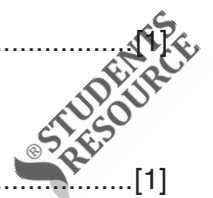
REQUIRED

(e) (i) Name an alternative format for the preparation of ledger accounts.

.....

(ii) State **one** advantage of using this alternative format.

..... [1]



12 The following information relates to George, a credit customer of Nuri. 7110/22/M/J/18/Q1(d,e)

- April 1 There was no balance on George’s account
- 10 Sold goods to George on credit, \$400
- 20 Sold goods to George on credit, \$500, less 15% trade discount
- 22 George returned goods, purchased on 20 April, with a list price of \$80
- 23 George paid by cheque for the goods purchased on 10 April.

Nuri offers payment terms of 2½% cash discount if payment is made within 28 days of sale.

REQUIRED

(a) Prepare the account of George in the ledger of Nuri. Balance the account and bring down the balance on 1 May 2018.

George account

Date	Details	\$	Date	Details	\$

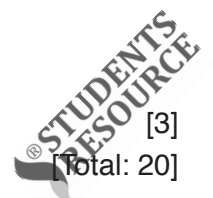
[5]

(b) Complete the table to name the subdivision of Nuri’s ledger which would contain **each** of the following accounts.

Account	Subdivision of the ledger
Sales	
George	
Drawings	

[3]

[Total: 20]



13 The following ledger account appeared in the books of Kusum on 31 March 2018.

		Smith account					
		\$			\$		
March	1	Balance b/d	200	March	7	Returns	150
	5	Sales (credit)	700		21	Bank	144
	14	Bank (refund)	60			Discount	6
			<u>960</u>		31	Balance c/d	<u>660</u>
April	1	Balance b/d	660				<u>960</u>

REQUIRED

(a) Name the:

- (i) subdivision of Kusum’s ledger which would contain the account of Smith
[1]
- (ii) document that Kusum would issue to Smith on 5 March
[1]
- (iii) document that Kusum would send to Smith on 14 March
[1]
- (iv) book of prime entry in which the transaction of 7 March would be recorded
[1]
- (v) type of discount given to Smith on 21 March
[1]
- (vi) section in Kusum’s statement of financial position that would contain the account of Smith.
[1]

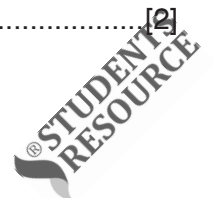
(b) Calculate the percentage discount taken by Smith on 21 March.

.....

.....

.....

.....



The following information is available for the month of April 2018.

			\$
April	1	Balances	6400
		Drawings account	9000
		Capital account	
	7	Kusum paid \$2500 into the business bank account from her personal bank account.	
	9	Kusum cashed a cheque from the business bank account for \$500 for her personal use.	
	15	The annual insurance premium, \$750, was paid by cheque. This included \$150 for the insurance of Kusum’s home.	
	30	Kusum prepared the financial statements. The profit for the year was \$3700.	

REQUIRED

(c) Prepare the following accounts for the month of April 2018.

Complete the appropriate year-end transfer from the drawings account.

Balance the capital account and bring down the balance on 1 May 2018.

(i) Drawings account

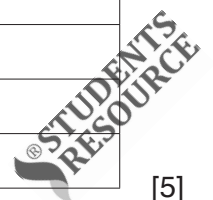
Date	Details	\$	Date	Details	\$

[5]

(ii) Capital account

Date	Details	\$	Date	Details	\$

[5]



(d) Distinguish between book-keeping and accounting.

.....

 [2]

7110/21/O/N/18/Q1

14 Lohit is a supplier of goods to Asanka. The following entries require recording in the books of Asanka for the month of August 2018.

- August 1 Asanka owed Lohit, \$90
- 9 Lohit supplied goods to Asanka, list price \$80 less 15% discount
- 10 Asanka returned goods, list price \$20, supplied on 9 August
- 15 Asanka paid \$97 by cheque after deducting \$3 discount

REQUIRED

(a) Prepare the account of Lohit in the books of Asanka for August 2018. Balance the account and bring down the balance on 1 September 2018.

Lohit account

Date	Details	\$	Date	Details	\$

[5]

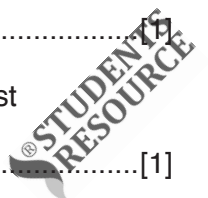
(b) Name each of the following:

(i) type of discount allowed by **Lohit** on 9 August

.....

(ii) book of prime entry in which **Lohit** would record the transaction on 9 August

..... [1]



- (iii) document that **Lohit** would send to Asanka recording the transaction on 10 August
[1]
- (iv) sub-division of **Lohit's** ledger which would contain the account of Asanka
[1]
- (v) section of **Lohit's** statement of financial position which would contain the balance on Asanka's account.
[1]

7110/22/O/N/18/Q1

15 An inexperienced book-keeper prepared the following trial balance for Alia's business on 31 August 2018. The trial balance did not balance.

Trial Balance at 31 August 2018

	Debit	Credit
	\$	\$
Revenue		19600
Purchases	9800	
Inventory at 31 August 2018	730	
Rent receivable	400	
Rent payable	800	
General expenses	230	
Non-current assets (at cost)	18750	
Provision for depreciation		3970
Bank overdraft	30	
Motor vehicle expenses		650
Trade receivables	2990	
Trade payables		1090
Capital		9000
	<u>33730</u>	<u>34310</u>

Additional information

Inventory at 1 August 2018 was \$870.

