



# Cambridge IGCSE™ (9–1)

CANDIDATE NAME



CENTRE NUMBER

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CANDIDATE NUMBER

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## ACCOUNTING

0985/22

Paper 2 Structured Written Paper

October/November 2025

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.









Currently, Zac completes a bank reconciliation statement twice every year but is now considering completing one every three months.

**REQUIRED**

(c) Advise Zac whether he should be completing a bank reconciliation statement every three months. Justify your answer by considering advantages and disadvantages of doing so.

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..... [5]

(d) State what is meant by the term 'dishonoured cheque'.

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

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On 5 April, Zac was notified that a cheque paid into his business bank account during March had been dishonoured. The cheque for \$128 was from Ali, a credit customer.

**REQUIRED**

- (e) Complete the following table to show the journal entry required to record the dishonoured cheque in Zac's accounts. A narrative is **not** required.

Zac  
Journal

Details	Debit \$	Credit \$

[2]

[Total: 20]



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2 Jaya is a trader. Her financial year ends on 31 July.

The totals of her trial balance at 31 July 2025 did **not** agree.

**REQUIRED**

(a) (i) Name the account that Jaya would need to open to enable her trial balance totals to agree.

..... [1]

(ii) State the primary purpose of this account.

..... [1]

Jaya later discovered the following five errors:

- 1 **No** entry had been made for distribution costs of \$320 paid by bank transfer.
- 2 Closing inventory had been recorded as \$12 200 instead of \$12 900.
- 3 Purchases returns of \$95 had been correctly entered in the credit supplier’s account but had been debited to the sales returns account.
- 4 A cheque for \$225 received from ABC wholesalers, a credit customer, had been correctly entered in the cash book, but **no** other entry had been made.
- 5 Property maintenance costs of \$1220 had been incorrectly charged to the land and buildings account.







(c) Name **two** types of error that will **not** be revealed by the trial balance.

1 .....

2 .....

[2]

(d) Complete the table by entering the amount by which Jaya's profit for the year would be overstated or understated if **each** error is left **uncorrected**. If an error has no effect on profit, enter zero (0) in the 'no effect' box.

Error 1 has been completed as an example.

Profit for the year

Error	Overstated \$	Understated \$	No effect
1	320		
2			
3			
4			
5			

[7]

[Total: 20]







(b) State **one** advantage and **one** disadvantage of the reducing balance method of depreciation.

Advantage .....

.....

.....

Disadvantage .....

.....

.....

[2]

On 1 February 2025, a local dealer offered to buy the recovery vehicle from Ahmed for \$35 000 cash.

**REQUIRED**

(c) Calculate the profit or loss on disposal if Ahmed had sold his recovery vehicle to the local dealer on 1 February 2025.

Show your workings, and state whether it would have been a 'profit' or 'loss'.

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[3]





(d) (i) Prepare Ahmed's motor vehicles account for the year ended 30 April 2025 if Ahmed had sold his recovery vehicle to the local dealer on 1 February 2025.

Ahmed  
Motor vehicles account

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

(ii) Prepare Ahmed's disposal of motor vehicles account for the year ended 30 April 2025 if Ahmed had sold his recovery vehicle to the local dealer on 1 February 2025.

Ahmed  
Disposal of motor vehicles account

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

[4]



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4 AY Limited has provided the following performance data for the last two years of trading.

Ratio	Year 1	Year 2
	ended 31 March 2024	ended 31 March 2025
Return on capital employed (ROCE)	10.67%	10.05%
Gross margin	22%	23.5%
Profit margin	11.5%	11.0%
Rate of inventory turnover	9.46 times	11.45 times
Trade payables turnover	34 days	30 days
Trade receivables turnover	32 days	36 days
Liquid (acid test) ratio	1.42:1	0.95:1

All sales and purchases are on credit and are subject to a 30-day credit period.

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**REQUIRED**

- (a) Complete the following table by indicating whether the ratio has improved or deteriorated at the end of year 2, and give **two** reasons which may have caused the change.

The Return on capital employed (ROCE) has been completed as an example.

Ratio	Improved or deteriorated	Possible reasons for the change
Return on capital employed (ROCE)	<i>Deteriorated</i>	<i>Introduction of additional capital or loans. Profit for the year has decreased.</i>
Gross margin		
Profit margin		
Rate of inventory turnover (times)		
Liquid (acid test) ratio		

[10]



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The directors at AY Limited were concerned that the trade receivables turnover rate had deteriorated and so increased the provision for doubtful debts from 2% to 3% for the year ended 31 March 2025. The trade receivables balances were as follows:

	\$
31 March 2024	346 000
31 March 2025	399 000

**REQUIRED**

(b) Write up the provision for doubtful debts account in AY Limited’s ledger for the year ended 31 March 2025.

Balance the account and bring down the balance at 1 April 2025.

AY Limited  
Provision for doubtful debts account

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

[3]

(c) (i) Explain what is meant by ‘a provision for doubtful debts’.

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

(ii) Name the accounting principle being applied when creating a provision for doubtful debts.

..... [1]







- 5 GH Company manufactures car parts and has provided the following information relating to the year ended 31 March 2025.

	\$
Revenue	1 107 272
Raw materials	
Inventory at 1 April 2024	21 700
Inventory at 31 March 2025	16 400
Finished goods	
Inventory at 1 April 2024	76 370
Inventory at 31 March 2025	49 660
Salaries and wages	
Operatives' wages	241 200
Factory supervisors' salaries	48 240
Office staff salaries	64 350
Purchases of raw materials	280 050
Purchases of finished goods	122 430
Carriage in on finished goods	2 242
Factory machinery at cost	427 000
Accumulated depreciation of factory machinery	187 000
Rent and rates	10 060
Electricity charges	9 344
Insurance	18 400
Factory general expenses	27 640
Work in progress at 1 April 2024	83 440
Work in progress at 31 March 2025	92 510

#### Additional information

- 1 Depreciation on factory machinery is to be provided at 15%, using the reducing balance method.
- 2 Rent and rates – 60% relate to the factory, with the remainder being for the office.
- 3 Electricity charges are to be split in the ratio 5 : 3 between factory and office.
- 4 Insurance is split equally between factory and office.





