

CANDIDATE  
NAME

CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ACCOUNTING**

**9706/31**

Paper 3 Structured Questions

**May/June 2018**

QUESTION PAPER

**3 hours**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

The Insert contains all the sources referred to in the questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.

International accounting terms and formats should be used as appropriate.

Workings should be shown.

You may use a calculator.

This document consists of **24** printed pages and **1** Insert.

**Section A: Financial Accounting**

Answer **all** questions.

**Question 1**

**Read Source A1 in the Insert.**

- (a) Explain why a manufacturing business might prepare a manufacturing account as part of its financial statements.

.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

- (b) Prepare the manufacturing account for the year ended 31 October 2017 in as much detail as possible.

.....  
.....  
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.....  
.....  
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.....  
.....  
.....  
.....  
..... [5]





**PLEASE TURN OVER**

**Question 2**

**Read Source A2 in the Insert.**

**(a)** State **three** uses of the notes to the accounts within the financial statements.

1 .....

.....

2 .....

.....

3 .....

..... [3]

**(b)** Prepare the statement of changes in equity for the year ended 31 December 2017. A total column is **not** required.

Workings:

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**Question 3**

**Read Source A3 on the Insert.**

**(a)** Explain the role of an external auditor.

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

**(b)** Explain the correct accounting treatment of the items in notes 1 and 2.

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.....  
.....  
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.....  
.....  
.....  
..... [5]



(d) State the values at which the following should be included in the statement of financial position at 31 December 2017.

(i) Software licence

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

(ii) Inventory

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

(iii) Retained earnings

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

(iv) Other payables

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



**Question 4**

**Read Source A4 in the Insert.**

**(a)** State **two** differences between a club and a limited company.

1 .....

.....

.....

.....

2 .....

.....

.....

..... [4]





Workings:

[10]

**Additional information**

The management committee of the club is considering increasing the price of the coach trip tickets to members.

**(d)** Advise the management committee whether or not it should increase the price of the coach trip tickets. Justify your answer.

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.....

.....

[4]

[Total: 25]



**Section B: Cost and Management Accounting**

Answer **all** questions.

**Question 5**

**Read Source B1 in the Insert.**

(a) State **three** advantages and **two** disadvantages of operating a budgetary control system.

Advantages:

1 .....

.....

.....

2 .....

.....

.....

3 .....

.....

.....

Disadvantages

1 .....

.....

.....

2 .....

.....

.....

[5]







**Question 6**

**Read Source B2 in the Insert.**

**(a)** Calculate for each product:

**(i)** the total production costs

.....

.....

.....

.....

.....

.....

..... [3]

**(ii)** the production cost per unit

.....

.....

.....

..... [1]

**Additional information**

The sales price per unit is calculated by adding 50% to the cost.

**(b)** Calculate the selling price per unit for **each** product.

.....

.....

.....

.....

..... [2]

**Additional information**

The directors of the company have been advised that they should adopt activity based costing to allocate the production overheads. They have identified the four major activities involved in the production cycle as machine set-up, materials handling, maintenance of machinery and production inspection and packing. The costs of each activity have been established and the overheads apportioned between the activities as follows:

	Production Overheads	Alpha	Omega
	\$		
Machine set-up	90 000	15 times	10 times
Materials handling	80 000	6 receipts	14 receipts
Machine maintenance	46 000	130 hours	100 hours
Inspection and packing	<u>180 000</u>	40 hours	20 hours
	<u>396 000</u>		

(c) State **two** disadvantages to a business of adopting activity based costing.

1 .....

.....

.....

.....

2 .....

.....

..... [2]

(d) Calculate the **total** production overhead to be allocated to **each** product using activity based costing.

.....

.....

.....

.....

.....

..... [4]



**Additional information**

It has been suggested that customers will not accept the increase in price of Omega. The directors are therefore considering changing the profit margins to 60% on Alpha and 30% on Omega.

**(g) (i)** Calculate the new **total** profit for **each** product if this change is adopted.

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

**(ii)** Give **two** reasons why B Limited should adopt this change.

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

[Total: 25]

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