



Cambridge International Examinations

Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		

ACCOUNTING 9706/33

Paper 3 Structured Questions

October/November 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.



Section A: Financial Accounting

Answer all questions.

Question 1

Read Source A	A1 in the	Insert.
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(a)	Calculate the percentage of factory profit used by the company.
	[3
(b)	Prepare the manufacturing account for the year ended 31 December 2017 in as much deta as possible.
	<u> </u>

(c)	Prepare the income statement for the year ended 31 December 2017.	
		•••••
		[44]

CL plc has the opportunity to buy in finished goods at a cost 5% lower than the cost of each unit it manufactures.

(d)	Ad۱	vise the directors whether or not they should take this opportunity. Justify your answer.	
	•••••		[4]
			ניין
(e)	(i)	State what is meant by the term 'prime cost'.	
			[1]
	(ii)	State one example of a cost which would be included in prime cost.	
			[1]
	(iii)	State one example of a cost which would be included in factory overheads.	
			[1]
		[Total:	25]

PLEASE TURN OVER

Read Source A2 in the Insert.

(a)	State three financial sta	advantages itements.	to the	e shareholders	of includ	ling notes	to the	accounts	within	the
	1									
	2									
	3									
										[3]

Additional information

The following information has been extracted from the property plant and equipment note to the financial statements of S plc for the year ended 30 September 2016:

	Land and buildings	Fixtures and fittings	Motor vehicles	Total
	\$	\$	\$	\$
Cost	200 000	95 000	43 000	338 000
Accumulated depreciation	70000	<u> 28 000</u>	<u>13 000</u>	<u>111000</u>
Net book value	<u>130 000</u>	<u>67 000</u>	<u>30 000</u>	<u>227 000</u>

The following information is also available:

- 1 The cost of the land was \$40000.
- 2 During the year ended 30 September 2017 the following events occurred:

On 1 January 2017 new fixtures and fittings were acquired at a cost of \$20000.

On 1 July 2017 a motor vehicle which had cost \$10 000 was sold for \$7000. There was a loss on disposal of \$1000.

3 Depreciation is charged on a monthly basis as follows:

Buildings	5% per annum	straight-line method
Fixtures and fittings	15% per annum	straight-line method
Motor vehicles	20%	reducing balance method

)	Cal	culate the depreciation charge for the year ended 30 September 2017 for:	
	(i)	buildings	
((ii)	fixtures and fittings	
(iii)	motor vehicles.	
			[7]

(C)	30 September 2017. Total columns are required.
	[8]

6% preference shares of \$1 each, or

ordinary shares of \$1 each at par, or

The directors now wish to purchase more land. They propose to raise the required finance of \$100 000 by the issue of:

a 5% debenture redeemable in 2024. (d) Advise the directors of the most suitable option to finance the purchase of land. Justify your answer. [7]

[Total: 25]

Read Source A3 in the Insert.

(a)	Cald	culate the profit or loss from the joint venture.
	•••••	
	•••••	
	•••••	
	•••••	[4
(b)	•	pare the:
	(1)	joint venture with Kia's account in Zarina's books of account
		[8]

	(ii)	joint venture with Zarina's account in Kia's books of account.	
			••••
			••••
			 [6]
	_		
(c)		lain one benefit to both Kia and Zarina of setting up a joint venture.	
			[2]

Zarina is interested in working with Kia again but is proposing that they enter into a formal partnership agreement, sharing profits and losses equally. Kia is not sure about this.

(d)	Advise Kia answer.	whether	or not	she	should	enter	into	а	partnership	with	Zarina.	Justify	your
			•••••							•••••			
								••••		•••••			
							•••••						
													[5]
												[Tota	al: 25]

Read Source A4 in the Insert.

(a)	Explain the difference between a bonus issue and a rights issue of shares.	
		•••••
		•••••
		[3]

Additional information

The following information is also available:

- 1 Inventory at 30 September 2017 was \$24000.
- 2 Depreciation is to be charged as follows:

office machinery at 10% on cost vehicles at 20% on the net book value.

- 3 The debentures were issued on 1 April 2017.
- 4 On 30 September 2017 an additional 20 000 shares were issued at \$1.20 each. These shares had not been entered in the books of account.
- At 30 September 2017 the directors transferred \$5000 to general reserve and decided to recommend a final dividend of \$0.05 per share on shares held on that date. The transfer to general reserve has not yet been recorded.

(b)	Calculate the profit for the year ended 30 September 2017.

(c)	Prepare the statement of changes in equity at 30 September 2017 (a total column is required).	not
		[8]

(d)	Prepare the statement of financial position at 30 September 2017.

[7]
[Total: 25]

Section B: Cost and Management Accounting

Answer all questions.

Question 5

Read Source B1	in the	Insert
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(a)	Discuss two advantages of budgetary control.
	1
	2
	[4]
(b)	Prepare the flexed budget for the year for 12 000 units.
	Workings:

 	 •••••	
		[13]

The following act	ual data are	available for	12 000 units:
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	\$ Sales revenue 242 600 Direct labour 63 000 Direct material 34 000
(c)	Explain to Kuldeep what may have caused a difference between the flexed budget and the actual data.
	[4]
Add	ditional information
	e, his sister, has advised him that he should produce an annual fixed budget instead of an ual flexed budget.
(d)	Assess two disadvantages to Kuldeep of producing an annual fixed budget.
	1
	
	2

[4]

[Total: 25]

Read Source B2 in the Insert.

(a) Calculate the annual net cash flow for Option 1.

Year	Sales \$	Labour \$	Rent \$	Seeds \$	Net Cash flow \$

[8]

(b)	Calculate the accounting rate of return (ARR) for Option 1.
	[4]
(c)	Calculate the ARR for Option 2.
	[5]

(d)	Stat	te:		
	(i)	one advantage of using ARR in comparison to other methods of investment appraisal		
	(ii)	two disadvantages of using ARR in comparison to other methods of investment appraisal.		
		1		
		2		
		[3]		
(e)	Discuss other financial and non-financial factors which may affect Asif's decision to run a farming business.			
	•••••			
	•••••			
	•••••			
		[5]		
		[Total: 25]		

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