

# Cambridge International AS & A Level

ACCOUNTING 9706/32

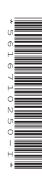
Paper 3 Financial Accounting

October/November 2024

INSERT 1 hour 30 minutes

#### **INFORMATION**

- This insert contains all of the sources referred to in the questions.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.



## **Source A for Question 1**

H plc manufactures one product which it sells to the public via its website and by mail order. It accounts for factory profit so that the transfer price from the factory is equivalent to the buy-in price which the business would otherwise have had to pay.

A summarised trial balance at 30 September 2024 was as follows:

	Debit \$	Credit \$
Premises	600000	
Factory machinery	265000	
Office equipment	105000	
Delivery vans	76 000	
Provision for depreciation		
Factory machinery		43 000
Office equipment		26 500
Delivery vans		15200
Inventory 1 October 2023		
Raw materials	23000	
Finished goods	28 080	
Trade receivables	86200	
Trade payables		66 300
Bank	31370	
Ordinary share capital		420 000
Revaluation reserve		190 000
8% debenture (2030)		200 000
Provision for unrealised profit 1 October 2023		4080
Retained earnings		82870
Revenue		866 000
Purchases	141 000	
Carriage inwards	4900	
Factory labour	180 900	
Factory overheads	167 500	
Administrative expenses	109800	
Distribution costs	87200	
Finance costs	8000	
	4040050	4040050
	<u>1913950</u>	<u>1913950</u>

The following information was also available.

- 1 The rate of factory profit for the year ended 30 September 2024 was 19%.
- 2 Inventories at 30 September 2024 at cost were:

	\$
Raw materials	21000
Finished goods	15000

- 3 The premises were revalued during the year. There were no disposals of non-current assets during the year.
- 4 Depreciation was still to be provided. The depreciation charges for the year were:

	\$
Factory machinery	23600
Office equipment	10500
Delivery vans	12 160

5 The debenture was issued in 2020.

#### Source B for Question 2

Amina and Belinda had been in partnership for some years, sharing profits and losses equally after allowing for interest on capital. Their financial year end was 31 December.

On 1 July 2023 Nigel was admitted as a partner. From then on profits and losses were shared equally between the three partners and the rate of interest on capital was unchanged.

Profit for the year ended 31 December 2023 was \$124000.

The partnership's accountant, Pyotr, divided the profit evenly between the six-month period ended 30 June 2023 and the six-month period ended 31 December 2023 and produced the capital accounts and current accounts for the year.

				Capital accounts			
	Amina \$	Belinda \$	Nigel \$		Amina \$	Belinda \$	Nigel \$
Balance c/d	60 000 60 000	60 000 60 000	80 000 80 000	Balance b/d Bank	60 000	60 000	80 000 80 000
	00000	00000	<u>00000</u>		00000	00000	00000
				Current accounts			
	Amina \$	Belinda \$	Nigel \$		Amina \$	Belinda \$	Nigel \$
Balance b/d		1100		Balance b/d	4900		
Drawings	38 500	47 100	18200	Interest on capital (first period)	1 500	1500	
				Interest on capital (second period)	1500	1500	2000
				Share of profit (first period)	29500	29500	
Balance c/d	17900	3300	2800	Share of profit (second period)	19000	19000	19000
	56400	51500	21000		56400	51500	21000

Amina realised that Pyotr had **not correctly** taken the following into account when dividing the annual profit between the two six-month periods.

- An irrecoverable debt of \$13000 had been written off in December 2023 after a major customer went out of business. This debt related to sales made in August 2023.
- A significant acquisition of new non-current assets was made on 1 July 2023, when \$50000 of Nigel's capital contribution was spent on new equipment. It is the policy of the partnership to depreciate equipment using the straight-line method at the rate of 20% per annum, calculated on a monthly basis.

#### Source C for Question 3

Vinisha had \$16000 to invest. She had three objectives.

- Being risk averse she wanted to invest in a company that would always have a gearing ratio of less than 40%.
- 2 She wanted to earn a return in the form of dividends of at least 10% per annum.
- 3 She wanted to make a profit when she sold the shares in the future.

During 2021 she bought 5000 ordinary shares of \$2 each in X plc. The following information is available about X plc.

#### At 31 December 2021

	\$
Share capital	200 000
Share premium	20000
Retained earnings	165000
Non-current liabilities	215000

Of the non-current liabilities, \$10 000 were due to be repaid during 2023 and the remainder in 2026 or later.

#### Year ended 31 December 2022

A new issue of 50 000 ordinary shares was made raising \$140 000. Vinisha did **not** buy any of the new shares.

Profit for the year amounted to \$90000 and dividends of \$67500 were paid on all shares including those from the new share issue.

The market price of one share at the year end was \$2.40.

#### Year ended 31 December 2023

A bonus issue of ordinary shares was made on the basis of three new shares for every ten held.

Debentures, \$190000, were issued.

Profit for the year amounted to \$128700 and dividends of \$78000 were paid on all shares including those from the bonus issue.

The market price of one share at the year end was \$3.30.

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