

Cambridge International AS & A Level

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		

ACCOUNTING 9706/33

Paper 3 Structured Questions

May/June 2022

3 hours

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer all questions.
- Use a black or dark blue pen.
- 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 an HB pencil for any diagrams, graphs or rough working.
- 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 150.
- The number of marks for each question or part question is shown in brackets [].
- The insert contains all of the required information and questions.

Section A: Financial Accounting

Answer all questions.

1 Read Source A1 in	the	insert
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(a)	State three differences between the financial statements of a not-for-profit organisation and those of a limited company.
	1
	2
	3
	[3]
(b)	Prepare the café trading account for the year ended 31 December 2021 to find the profit or loss on its trading activity.
	[4]

Prepare the income and expenditure account for the year ended 31 December 2021.		
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	F	Prepare the income and expenditure account for the year ended 31 December 2021.
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	•	

The club will admit life members from 1 January 2023. A life membership fee of \$1500 will be payable on the date of admission.

(e)	Explain to the treasurer how the club should account for the life membership fees in the club's financial statements.
	[3]
Add	litional information
	committee of the club is thinking of closing the café. Vending machines would be installed to vide snacks and drinks for the members.
(f)	Advise the committee whether or not the café should be closed. Justify your answer.
	[5]
	[Total: 25]

2 Read Source A2 in the insert.

(a)

Prepare a revised statement of financial position at 31 December 2021.
Workings:

	xplain the correct accounting treatments of the claim and the legal cost in item 3 with ference to the relevant international accounting standard (IAS).
	[7]
(c) St	rate what is meant by:
(i)	
(1)	events after the reporting period
	[2]
(ii)	adjusting events
	[1]
(iii)	non-adjusting events.
	[1]
	[Total: 25]

3 Read Source A3 in the insert.

(a)	Pre 31 I	pare a statement showing the movement of retained earnings for the year ended December 2021.	
		г	41
		[+]
(b)	Cal	culate, to two decimal places, the following:	
	(i)	price earnings ratio	
		[3]
	(ii)	dividend yield	
	()		
		[2]
	(iii)	gearing ratio	
	(,	godinig late	
		[2]

	(iv)	income gearing
		[2]
	(v)	return on capital employed.
		[2]
(c)	Ехр	lain what is meant by a 'highly geared company'.
		[2]
Add	ditior	al information
		cember 2020, the market value of one ordinary share was \$3.64 and the price earnings 9.27.
(d)	Ехр	lain the change in the price earnings ratio with reference to your calculation in (b)(i).
		[3]

On 1 January 2021, E plc had an opportunity to invest \$150000 in a new project. The directors had two options to finance the new project:

Option 1: issue a 9% debenture for \$150 000

Option 2: issue 120 000 ordinary shares at a price of \$1.25 per share.

The directors chose Option 1 and the new project contributed a pre-interest profit of \$70 000 to the 2021 profit.

(e)	Assess whether or not the directors of E plc made the correct decision in issuing the debenture to finance the new project. Justify your answer.
	[5

[Total: 25]

4 Read Source A4 in the insert.

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(c)	Explain one benefit to each of Adam and Mary of entering the joint venture.	
	Benefit to Adam	
	Benefit to Mary	
		[4]
(d)	State three differences between a joint venture and a consignment.	
(d)		
(d)	1	
(d)		
(d)	1	

Due to the success of the joint venture, Mary suggests to Adam that they form a partnership. They would set up an office and sell the products which would be bought from bankrupt companies. Adam is a management consultant. He has concerns about forming a partnership with Mary.

(e)	Explain two disadvantages to Adam of forming a partnership with Mary.
	1
	2
	[4

[Total: 25]

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Section B: Cost and Management Accounting

Answer all questions.

5	Read	Source	R ₁ in	1 the	insert
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(a)	Prepare a statement to calculate the selling price per unit for each of Product S and Product P. The statement should also show the total cost per unit for each product.
	[8]

Additional information

The management accountant suggested that activity based costing should be adopted and provided an analysis of the budgeted annual factory overheads as follows:

Activity	Cost	Cost driver	Expected usage of cost driver	
	\$		Product S	Product P
Purchasing materials	120 000	Purchases order	24	8
Machine running	162000	Machine hours	36 000	18000
Machine setups	72 000	Number of setups	40	8
Inspecting	<u>111 000</u>	Inspection hours	400	100
Factory overheads	465 000			

(D)	Explain what is meant by the term activity based costing.
	[3]
	[0]
(c)	Prepare a statement to calculate the selling price per unit for each of Product S and Product P by using activity based costing. The statement should also show separately the total cost and total cost per unit for each product.
	[9]

(d)	Advise the directors whether or not they should adopt activity based costing. Support your answer with reference to (a) and (c) .
	[5]

[Total: 25]

6

(a) Calculate the badgeted profit	or the budgeted sales of 6 000 units.	
	llows:	
Additional information The actual result for April was as for a section and sales (units)	llows: 5800	
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The actual result for April was as for Production and sales (units) Selling price per unit Direct materials Direct labour Factory overhead (b) Calculate the following varian (i) sales price variance	5800 \$ 72 35113 221760 70400 ees:	

(ii)	sales volume variance (as a measure of change in profit)	
		[3]
(iii)	direct material total variance	
		[2]
(iv)		
(,		
		• • • • • • • • • • • • • • • • • • • •
		• • • • • • • • • • • • • • • • • • • •
		[2]
(v)	fixed overhead volume variance	
		[2]
(vi)	fixed overhead expenditure variance.	
		[2]

The management accountant is going to perform variance analysis. The actual labour hours used in April were 17600.

(c)	Exp	lain the likely causes of:	
	(i)	sales volume variance calculated in (b)(ii)	
			[3]
	(ii)	direct labour total variance calculated in (b)(iv).	
			<u>[</u> 4.

By analysing the direct material total variance the direct material usage variance was found to be \$1275 adverse.

(d)	Assess whether or not the company has been successful in controlling the direct material cost price. Justify your answer.
	[3]
	[Total: 25]

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