



## **Cambridge International AS & A Level**

CANDIDATE  
NAME

CENTRE  
NUMBER

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NUMBER

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### **ACCOUNTING**

**9706/32**

Paper 3 Financial Accounting

**October/November 2023**

**1 hour 30 minutes**

You must answer on the question paper.

You will need: Insert (enclosed)

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#### **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 75.
- The number of marks for each question or part question is shown in brackets [ ].
- The insert contains all of the sources referred to in the questions.

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This document has **12** pages. Any blank pages are indicated.

**1 Read Source A in the insert.**

- (a) Calculate the values of the following **at cost**:

inventory of finished goods at 1 July 2022

.....

.....

cost of production

.....

.....

inventory of finished goods at 30 June 2023.

.....

.....

[3]

**Additional information**

After preparation of the draft statement of profit or loss the following items were discovered.

- 1 Administrative expenses included \$12 000 of costs which actually related to the factory.
- 2 During June 2023 goods were sent to a customer on a sale or return basis. The goods had a selling price of \$3000 and a cost of \$1400 before factory profit. These had been treated as having been sold in the draft statement of profit or loss although by the year end the customer had not declared an intention to buy the goods.
- 3 A delivery van had a carrying value of \$17 000. A review on 30 June 2023 showed that it had a fair value of \$12 500 and a value in use of \$13 000. No adjustment had been made as a result of this review.
- 4 The company was facing legal proceedings in July 2023. The company's lawyer had advised that the company had a 35% chance of having to pay a fine of \$8000.

- (b) Prepare a corrected statement of profit or loss for the year ended 30 June 2023.

## Workings:

- (c) State the accounting concept being applied in the treatment of the goods sent on a sale or return basis in item 2.

[1]

- (d) Explain your treatment of the legal proceedings in item 4.

[3]

[3]

## Additional information

The directors are considering stopping the application of factory profit.

- (e) Advise the directors whether or not to stop the application of factory profit. Justify your answer.

[Total: 25]

## 2 Read Source B in the insert.

- (a) Calculate the balance on the life membership fund after the transfer to the income and expenditure account on 31 May 2023.

[2]

[2]

- (b) Calculate the surplus or deficit for the year ended 31 May 2023 by comparing the values of the accumulated fund.

[3]

- (c) Calculate the profit or loss made on holding tournaments for the year ended 31 May 2023.

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[7]

- (d) Prepare the income and expenditure account for the year ended 31 May 2023. The balancing figure is to be called 'other operating expenses'.

## Workings:

## Additional information

The managing committee of the club is considering increasing the entry fee for the tournaments by 10% in the coming year.

- (e) Advise the committee whether or not it should increase the entry fee for the tournaments by 10%. Justify your answer.

[3]

[Total: 25]

### 3 Read Source C in the insert.

- (a) Prepare the corrected statement of cash flows for the year ended 31 December 2022 in accordance with IAS 7.

## Workings:

[15]

## Additional information

The directors expect that as a result of the expansion of the business investors will see changes in some of the company's investment ratios in the coming year.

(b) Discuss, without making calculations, why the following changes might take place:

(i) decrease in earnings per share

[3]

[3]

- (ii) increase in price earnings ratio

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[2]

- (iii) decrease in dividend yield.

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[2]

#### **Additional information**

The directors are considering making another bonus issue of ordinary shares in a year's time.

- (c) Advise the directors whether or not another bonus issue would be beneficial. Justify your answer.

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[3]

[Total: 25]



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