



# Cambridge International AS & A Level

CANDIDATE  
NAME

CENTRE  
NUMBER

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**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.

This document has **20** pages.

**Section A: Financial Accounting**

Answer **all** questions.

**1 Read Source A1 in the insert.**

- (a) State **three** differences between the financial statements of a not-for-profit organisation and those of a limited company.

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3 .....

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[3]

- (b) Prepare the café trading account for the year ended 31 December 2021 to find the profit or loss on its trading activity.

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[4]



**Additional information**

The club will admit life members from 1 January 2023. A life membership fee of \$1 500 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.

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**Additional information**

The committee of the club is thinking of closing the café. Vending machines would be installed to provide snacks and drinks for the members.

- (f) Advise the committee whether or not the café should be closed. Justify your answer.

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[Total: 25]



(b) Explain the correct accounting treatments of the claim and the legal cost in item 3 with reference to the relevant international accounting standard (IAS).

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(c) State what is meant by:

(i) events after the reporting period

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..... [2]

(ii) adjusting events

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..... [1]

(iii) non-adjusting events.

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..... [1]

[Total: 25]

3 Read Source A3 in the insert.

(a) Prepare a statement showing the movement of retained earnings for the year ended 31 December 2021.

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(b) Calculate, to **two** decimal places, the following:

(i) price earnings ratio

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..... [3]

(ii) dividend yield

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..... [2]

(iii) gearing ratio

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..... [2]

(iv) income gearing

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..... [2]

(v) return on capital employed.

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..... [2]

(c) Explain what is meant by a 'highly geared company'.

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..... [2]

**Additional information**

At 31 December 2020, the market value of one ordinary share was \$3.64 and the price earnings ratio was 9.27.

(d) Explain the change in the price earnings ratio with reference to your calculation in (b)(i).

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**4 Read Source A4 in the insert.**

**(a)** Prepare the memorandum joint venture account. Dates are **not** required.

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[7]

**(b)** Prepare the joint venture account with Adam in Mary’s books. Dates are **not** required.

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[7]

(c) Explain **one** benefit to **each** of Adam and Mary of entering the joint venture.

Benefit to Adam .....

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Benefit to Mary .....

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[4]

(d) State **three** differences between a joint venture and a consignment.

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[3]

**Additional information**

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.

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2 .....

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[4]

[Total: 25]

**PLEASE TURN OVER**









**6 Read Source B2 in the insert.**

**(a)** Calculate the budgeted profit for the budgeted sales of 6 000 units.

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**Additional information**

The actual result for April was as follows:

Production and sales (units)	5 800
	\$
Selling price per unit	72
Direct materials	35 113
Direct labour	221 760
Factory overhead	70 400

**(b)** Calculate the following variances:

**(i)** sales price variance

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(ii) sales volume variance (as a measure of change in profit)

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(iii) direct material total variance

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..... [2]

(iv) direct labour total variance

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..... [2]

(v) fixed overhead volume variance

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..... [2]

(vi) fixed overhead expenditure variance.

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**Additional information**

The management accountant is going to perform variance analysis. The actual labour hours used in April were 17 600.

(c) Explain the likely causes of:

(i) sales volume variance calculated in (b)(ii)

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(ii) direct labour total variance calculated in (b)(iv).

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**Additional information**

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.

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[3]

[Total: 25]

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