



Cambridge International AS & A Level

ACCOUNTING

9706/31

Paper 3 Financial Accounting

May/June 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.



This document has **8** pages. Any blank pages are indicated.

Source A for Question 1

B Limited carries on a manufacturing business making one product. It has a constant rate of factory profit. The following balances are extracted from the trial balance at 31 December 2023.

| | \$ |
|---|---------|
| Machinery (carrying value at 1 January 2023) | 258 000 |
| Office equipment (carrying value at 1 January 2023) | 98 000 |
| Inventories at 1 January 2023 | |
| Direct materials | 16 000 |
| Work in progress | 47 000 |
| Finished goods (at transfer price) | 89 600 |
| Sales | 933 000 |
| Purchases of direct materials | 174 300 |
| Direct labour | 158 000 |
| Rent and rates | 105 000 |
| Other indirect production overheads | 77 500 |
| Other administrative costs | 205 000 |
| Provision for unrealised profit at 1 January 2023 | 25 600 |

Further information is also available.

1 Inventories at 31 December 2023

| | \$ |
|------------------------------------|--------|
| Direct materials | 21 400 |
| Work in progress | 52 000 |
| Finished goods (at transfer price) | 77 000 |

- 2 Rent and rates are to be allocated 70% to the factory and 30% to the office. Accrued rent at 31 December 2023 was \$15 000.
- 3 The annual depreciation rate for machinery is 20% and for office equipment is 15%. The reducing balance method is used for both.

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Source B for Question 2

The directors of M plc have prepared the financial statements for the year ended 31 December 2023. The following information from the financial statements is available.

| Statement of financial position at 31 December 2023 | |
|---|--------------------|
| | \$ |
| Non-current assets | |
| Property, plant and equipment | <u>696 000</u> |
| Current assets | |
| Inventory | 88 000 |
| Trade receivables | 142 000 |
| Cash and cash equivalents | <u>46 000</u> |
| | <u>276 000</u> |
| Total assets | <u>972 000</u> |
| Equity and reserves | |
| Ordinary share capital (\$1 shares) | 500 000 |
| Share premium | 35 000 |
| Retained earnings | <u>132 000</u> |
| | <u>667 000</u> |
| Non-current liabilities | |
| 6% debentures | <u>180 000</u> |
| Current liabilities | |
| Trade payables | <u>125 000</u> |
| Total equity and liabilities | <u>972 000</u> |

| Statement of changes in equity for the year ended 31 December 2023 (extract) | |
|---|----------------------------|
| | Retained earnings \$ |
| Balance 1 January 2023 | 92 000 |
| Profit for the year | 140 000 |
| Dividend paid | <u>(100 000)</u> |
| Balance 31 December 2023 | <u>132 000</u> |

Further information is also available.

- 1 All sales and purchases are on credit.
- 2 Goods are sold at a mark-up of 45%.
- 3 The inventory value at 1 January 2023 was \$79 000.
- 4 The non-current asset turnover is 1.25 times.
- 5 A final dividend of \$0.14 per share for 2023 was proposed at the year end. Dividends paid during the year comprised a final dividend of \$60 000 for 2022 and an interim dividend of \$40 000 for 2023.
- 6 The company's ordinary shares are currently priced at \$2.56 each.

Source C for Question 3

The cost section and accumulated depreciation section of G plc's schedule of non-current assets at 31 December 2022 are as follows:

| | Land and buildings \$ | Plant and machinery \$ | Motor vehicles \$ |
|--------------------------|-----------------------------|------------------------------|-------------------------|
| Cost | | | |
| At 1 January 2022 | 360 000 | 280 000 | 135 000 |
| Addition of land | <u>190 000</u> | <u>—</u> | <u>—</u> |
| At 31 December 2022 | <u>550 000</u> | <u>280 000</u> | <u>135 000</u> |
| Accumulated depreciation | | | |
| At 1 January 2022 | 129 600 | 106 000 | 54 000 |
| Charge for the year | <u>14 400</u> | <u>26 100</u> | <u>27 000</u> |
| At 31 December 2022 | <u>144 000</u> | <u>132 100</u> | <u>81 000</u> |

The following information has been provided.

- Land and buildings consists of land which was acquired in 2022 and one office property.
- At 31 December 2022, the company owned two vehicles that were acquired on the same day. Vehicle A's cost is 25% higher than vehicle B's cost.
- A full year's depreciation is provided in the year of acquisition and none in the year of disposal.
- The depreciation methods used are:

| | |
|---------------------|------------------|
| Land | no depreciation |
| Buildings | straight-line |
| Plant and machinery | reducing balance |
| Motor vehicles | straight-line |

The following information is also available for the year ended 31 December 2023.

- On 1 January 2023, a review of the estimated useful life of the office property suggested that it should be 5 years longer than originally estimated. On 31 December 2023, the land was revalued at \$249 000.
- An impairment review of a machine on 31 December 2023 suggested that it had a fair value of \$7 500 and a value in use of \$9 800. The machine was purchased on 1 January 2021 at a cost of \$24 000. During the year, a new machine was purchased at a cost of \$35 000.
- Vehicle B had been part exchanged for a new vehicle C, giving a loss on disposal of \$3 000. G plc paid the balance of \$25 000 by cheque to acquire vehicle C.

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