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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME						
CENTRE NUMBER						
CANDIDATE NUMBER						

* 5 6 1 6 7 1 0 2 5 0 *

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **October/November 2024**

1 hour 30 minutes

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 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.

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

DC (PQ) 337116/4

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

(a) Prepare the following for the year ended 30 September 2024:

(i) the manufacturing account

[6]

(ii) the statement of profit or loss.

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(b) Suggest why the depreciation correctly charged on factory machinery is only $23 600 when the depreciation is calculated at 10% per annum on cost.

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Additional information

It is expected that there will be a shortage of suitably skilled labour during the year ending 30 September 2025. This would cause the company's direct labour cost to increase by 20%. The buy-in cost of the product would increase by 10%.

(c) Calculate, to **two** decimal places, the rate of factory profit which the company will apply in the year ending 30 September 2025.

The transfer price is to remain equivalent to the buy-in price. Assume that production volumes and production costs, other than direct labour, will be unchanged.

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Additional information

The company has never provided depreciation on the premises. One of the directors has suggested that this causes the calculation of factory profit to be flawed.

(d) Advise the directors whether or not depreciation of premises should be included when calculating factory profit. Justify your answer.

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[Total: 25]

2 **Read Source B in the insert.**

(a) Calculate the correct division of profit between the two periods. Assume that revenue and **other expenses** accrued evenly throughout the year.

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Additional information

Goodwill on 1 July 2023 was valued at $114 000 and was **not** retained in the books of account.

(b) Prepare:

(i) corrected capital accounts for the year

Capital accounts

	Amina $	Belinda $	Nigel $		Amina $	Belinda $	Nigel $

[4]

(ii) corrected current accounts for the year.

Current accounts

	Amina $	Belinda $	Nigel $		Amina $	Belinda $	Nigel $

Workings:

[13]

Additional information

Pyotr has been the partnership's accountant since it was originally started. However, since noticing his errors Amina is now wondering if the partnership should appoint a new accountant. She has also discovered that Nigel's wife is Pyotr's sister.

(c) Advise the partners whether or not they should appoint a new accountant. Justify your answer.

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[Total: 25]

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3 **Read Source C in the insert.**

(a) Calculate for X plc the required year-end balances and the required ratios to **two** decimal places for **each** year, 2022 and 2023. Use the space provided on **page 11** to show your workings.

	2022	2023
ordinary share capital ($)		
share premium ($)		
retained earnings ($)		
non-current liabilities ($)		
gearing ratio		
earnings per share ($)		
dividend per share ($)		
price earnings ratio		

Workings:

	2022	2023
ordinary share capital ($)		
share premium ($)		
retained earnings ($)		
non-current liabilities ($)		
gearing ratio		
earnings per share ($)		
dividend per share ($)		
price earnings ratio		

[14]

(b) Discuss the performance of Vinisha's investment in relation to **each** of her three objectives.

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(c) Suggest another solvency ratio which might be affected as the gearing ratio changes. Give a reason for your answer.

Ratio ....

Reason ....

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[3]

[Total: 25]