Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

9560398835

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **February/March 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.

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1 Read Source A in the insert.

(a) Prepare, showing the adjustments made during the acquisition on 1 January 2024, the capital accounts of Ada and Brian. Show the final settlement to or from **each** partner.

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Workings:

[11]

(b) Prepare the statement of financial position of X Limited at 1 January 2024.

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Workings:

[7]

Additional information

Calvin, a friend of Brian, is interested in investing in X Limited.

Ada and Brian are considering raising additional funds for a project. The directors have two options.

Option 1: Issue 4% debenture to Calvin.

Ada and Brian had been entitled to interest on capital at the rate of 6% when they were in partnership. The annual interest of the debenture issued will be the same value as the total interest on capital in the partnership.

Option 2: Issue $1 ordinary shares to Calvin at par.

The value of ordinary shares issued will be the same as the 4% debenture in Option 1.

(c) Calculate the amount of debenture to be issued in Option 1.

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(d) Advise the directors which option they should choose. Justify your answer.

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[Total: 25]

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2 Read Source B in the insert.

(a) Explain **one** reason why the information in the statement of cash flows of a business is important to its shareholders.

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(b) Calculate the profit for the year for 2023.

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(c) Prepare the statement of cash flows for the year ended 31 December 2023 in accordance with IAS7.

Workings:

[14]

(d) Analyse the changes in the cash position of K plc during the year 2023.

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[Total: 25]

3 Read Source C in the insert.

(a) Prepare the manufacturing account for the year ended 31 December 2023.

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Additional information

The profit for the year before office expenses and depreciation of office equipment amounted to $289 800.

(b) Prepare a statement to calculate, showing clearly the cost of sales, how much of this amount was derived from:

(i) importing

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(ii) manufacturing.

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(c) Calculate the profit for the year ended 31 December 2023.

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Additional information

A director is of the opinion that the profit for the year for 2023 can be improved by increasing the rate of factory profit to 25%.

(d) Explain the impact on the profit for the year for 2023 of increasing the rate of factory profit to 25% in 2023.

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Additional information

G Limited is experiencing serious increases in costs of the imported goods and has increased the selling price. Many high-income customers are complaining about these increased prices. The directors are considering manufacturing home appliances for these customers to keep the prices low and maintain their profits.

(e) Advise the directors whether or not they should manufacture home appliances for the high-income customers to maintain the profits. Justify your answer.

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[Total: 25]

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