Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **February/March 2025**

INSERT **1 hour 30 minutes**

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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.

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Source A for Question 1

The statements of financial position of CF Limited were as follows:

	At 31 December 2024 $	At 31 December 2023 $
Non-current assets		
Office premises	418 000	320 000
Office equipment	214 000	235 000
Motor vehicles	116 000	–
	748 000	555 000
Current assets		
Inventories	88 000	54 000
Trade receivables	143 000	153 000
Cash at bank	–	4 800
	231 000	211 800
Total assets	979 000	766 800
Equity and liabilities		
Equity		
Ordinary share capital ($1 shares)	400 000	300 000
Share premium	–	80 000
General reserve	30 000	–
Revaluation reserve	120 000	–
Retained earnings	207 000	245 800
	757 000	625 800
Non-current liabilities		
8% debenture (2030)	80 000	–
Current liabilities		
Trade payables	104 000	81 000
Bank overdraft	38 000	–
12% debenture (2024)	–	60 000
	142 000	141 000
Total equity and liabilities	979 000	766 800

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The following information is available.

1 On 1 January 2024, the office premises had been revalued upwards by $120 000.

2 On 1 September 2024, an old photocopier, with a carrying value of $8400, was part exchanged for a new one with the cost of $25 000. A loss on disposal of $3500 was recorded.

3 Motor vehicles are depreciated at the rate of 20% per annum using the straight-line method.

4 Depreciation on non-current assets for the year ended 31 December 2024 had been made. A full year's depreciation is provided in the year of acquisition and none in the year of disposal.

5 On 1 February 2024, a bonus issue of shares was made of one ordinary share for every three shares held. Reserves were maintained in their most flexible form.

6 Dividends paid during 2024:

1 March	Final dividend of $0.11 per share on all shares in issue at 31 December 2023
1 August	Interim dividend of $0.06 per share on all shares in issue at 31 July 2024

7 The 12% debenture (2024) of $60 000 was fully repaid on 30 June 2024. The 8% debenture (2030) of $80 000 was issued on 1 July 2024. Debenture interest was paid every six months.

8 The general reserve was created on 31 December 2024.

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Source B for Question 2

Ada and Brian had been in partnership for thirty years, sharing profits and losses in the ratio of 3 : 2 respectively. They agreed to sell their business to W Limited on 1 January 2025. W Limited took over all the assets except cash at bank. Trade payables were fully settled by the partnership at $76 000.

The statement of financial position immediately prior to the sale of the partnership business was as follows:

Statement of financial position at 31 December 2024

	$	$
Non-current assets		
Equipment	186 000	
Motor vehicles	55 000	241 000
Current assets		
Inventory	73 000	
Trade receivables	94 000	
Cash at bank	14 000	181 000
Total assets		422 000
Capital account		
Ada	200 000	
Brian	150 000	350 000
Current account		
Ada	(10 000)	
Brian	5 000	(5 000)
Current liabilities		
Trade payables		77 000
Total equity and liabilities		422 000

The following information is also available.

1 The value of assets taken over by W Limited was agreed upon as:

	$
Equipment	174 000
Motor vehicles	48 000
Inventory	89 000
Trade receivables	91 000

2 The value of goodwill of the partnership was agreed at three times the average profit for the past three years. The profits of the partnership for the past three years were:

Year	$
2024	37 100
2023	41 300
2022	44 600

3 The purchase consideration was fully satisfied by the issue of new ordinary shares of W Limited at a value of $1.75 per share. The shares were to be allocated to the partners according to their profit and loss sharing ratio. Before the takeover, W Limited had five million $1 ordinary shares in issue.

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Source C for Question 3

B plc provided the following financial information for the year ended 31 December 2024.

Statement of financial position at 31 December 2024

	$
Non-current assets	
Property, plant and equipment	714 000
Current assets	
Inventory	78 000
Trade receivables	110 000
Cash at bank	24 500
	212 500
Total assets	926 500
Equity	
Ordinary share capital ($1 shares)	500 000
Retained earnings	172 000
	672 000
Non-current liabilities	
10% debenture (2030)	200 000
Current liabilities	
Trade payables	54 500
Total equity and liabilities	926 500

Extract of statement of profit or loss for the year ended 31 December 2024

	$	$
Revenue		988 000
Cost of sales		
Inventory 1 January 2024	56 000	
Purchases	570 000	
Inventory 31 December 2024	(78 000)	
		548 000
Gross profit		440 000
Profit for the year		190 000

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The following information is also available.

1 All sales revenue and purchases are on credit.

2 Dividends paid during the year:

	$
2023 final dividend	60 000
2024 interim dividend	35 000

The 2024 proposed final dividend will be 10% higher than that of last year.

3 The market price of one ordinary share on 31 December 2024 was $2.85.

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