Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

2480666101

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.

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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]

(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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(c) Prepare the subscriptions account for the year ended 31 December 2021.

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(d) Prepare the income and expenditure account for the year ended 31 December 2021.

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..... [6]

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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..... [5]

[Total: 25]

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2 Read Source A2 in the insert.

(a) Prepare a revised statement of financial position at 31 December 2021.

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Workings:

[14]

(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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..... [7]

(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]

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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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..... [4]

(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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..... [3]

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Additional information

On 1 January 2021, E plc had an opportunity to invest $150 000 in a new project. The directors had two options to finance the new project:

Option 1: issue a 9% debenture for $150 000

Option 2: issue 120 000 ordinary shares at a price of $1.25 per share.

The directors chose Option 1 and the new project contributed a pre-interest profit of $70 000 to the 2021 profit.

(e) Assess whether or not the directors of E plc made the correct decision in issuing the debenture to finance the new project. Justify your answer.

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[Total: 25]

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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(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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[4]

[Total: 25]

PLEASE TURN OVER

Section B: Cost and Management Accounting

Answer **all** questions.

5 Read Source B1 in the insert.

(a) Prepare a statement to calculate the selling price per unit for **each** of Product S and Product P. The statement should also show the total cost per unit for **each** product.

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Additional information

The management accountant suggested that activity based costing should be adopted and provided an analysis of the budgeted annual factory overheads as follows:

Activity	Cost	Cost driver	Expected usage of cost driver	
	$		Product S	Product P
Purchasing materials	120 000	Purchases order	24	8
Machine running	162 000	Machine hours	36 000	18 000
Machine setups	72 000	Number of setups	40	8
Inspecting	111 000	Inspection hours	400	100
Factory overheads	465 000			

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(b) Explain what is meant by the term 'activity based costing'.

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(c) Prepare a statement to calculate the selling price per unit for **each** of Product S and Product P by using activity based costing. The statement should also show separately the total cost **and** total cost per unit for **each** product.

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(d) Advise the directors whether or not they should adopt activity based costing. Support your answer with reference to **(a)** and **(c)**.

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[Total: 25]

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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(iv) direct labour total variance

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(v) fixed overhead volume variance

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..... [2]

(vi) fixed overhead expenditure variance.

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..... [2]

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 $1 275 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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