Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/31**

Paper 3 Financial Accounting **May/June 2023**

INSERT **1 hour 30 minutes**

2204986484-I

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.

DC (LO) 327560
© UCLES 2023

[Turn over

Source A for Question 1

Alan and Betty had been in partnership for many years, sharing profits and losses in the ratio of 3:2. The capital contributed by each partner was: Alan $300 000, Betty $240 000. The interest on capital is calculated at 4% per annum.

Their business was acquired by J Limited on 1 April 2022. J Limited took over all the assets except the bank account.

The following information relating to the assets taken over was available.

	Book value	Revalued amount
	$	$
Premises	308 000	330 000
Equipment	85 000	73 000
Inventory	64 000	77 000
Trade receivables	92 000	90 000
	549 000	570 000

The value of goodwill was twice that of the partnership's profit for the year ended 31 March 2022.

Some information relating to the partners' current accounts for the year ended 31 March 2022 was as follows:

	Balance at 1 April 2021	Drawings	Residual profit shared
	$	$	$
Alan	7 000 credit	32 000	24 240
Betty	2 600 credit	34 000	16 160

The partnership paid $37 000 in full settlement of the trade payables of $39 000 on 31 March 2022 out of the partnership's bank account.

The purchase consideration was settled as follows:

1 Both partners received sufficient 8% debentures to give the same amount of interest on capital as they had been entitled to in the partnership.

2 Each partner received 150 000 ordinary shares of $1 each. These shares had a value of $1.30 per share.

3 The balance was settled in cash and paid into the partnership bank account.

The partners also agreed that if there was any deficit on a partner's capital account, the partner would pay cash in to the partnership bank account to make up for the deficit.

© UCLES 2023

Source B for Question 2

The directors of Z plc provided the following information.

For the year ended 31 December 2022

Revenue (all credit sales)	$825 000
Purchases (all on credit)	$405 000
Non-current asset turnover	1.6 times
Interim dividend paid (per share)	$0.30
Final dividend proposed (per share)	$0.15
Gross profit margin	48%
Dividend yield	4%
Price / earnings ratio	18

At 31 December 2022

	$
Inventory	44 000
Trade receivables	76 400
Trade payables	32 900
Cash at bank	81 000
6% debenture (2026)	100 000
Ordinary share capital ($1 shares)	300 000
Share premium	30 000

© UCLES 2023

[Turn over

Source C for Question 3

The directors of W Limited, a manufacturing company, have provided the following information for the year ended 31 December 2022.

	$
Revenue	984 000
Purchases of raw materials	198 000
Direct labour	164 000
Carriage inwards	3 100
Carriage outwards	6 200
Factory overheads	98 000
Administrative expenses	223 500
Selling and distribution costs	84 000
Rent and rates	74 000
Factory machinery (at cost)	144 000
Office equipment (at cost)	66 000
Delivery van (at cost)	48 000
Inventories (at cost) at 1 January 2022	
Raw materials	8 000
Work in progress	17 300
Finished goods	45 000
Provision for depreciation at 1 January 2022	
Factory machinery	84 000
Office equipment	32 000
Delivery van	28 800

The following information is also available.

1 W Limited maintained a provision for unrealised profit account.

2 At 31 December 2021, finished goods were transferred to the trading section of the statement of profit or loss at cost plus 20%.

3 At 31 December 2022, finished goods were transferred from the manufacturing account to the trading section of the statement of profit or loss at a transfer value of $632 400.

4 Inventories were valued at cost on 31 December 2022 as follows:

	$
Raw materials	10 500
Work in progress	16 900
Finished goods	52 000

5 Rent, $6 000, was accrued on 31 December 2022. Rent and rates are to be split between the factory overheads, the administrative expenses and the selling and distribution costs in the ratio of 5:2:3 respectively.

6 Depreciation is to be provided as follows:

Factory machinery – 15% per annum using the reducing balance method
Office equipment – 15% per annum using the reducing balance method
Delivery van – 20% per annum using the straight-line method

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2023