Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/32**

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

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.

This document has **4** pages.

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Source A for Question 1

NT Sport Club runs a gym and operates a café. The treasurer provided the following list of balances of some accounts.

	31 December 2022	31 December 2021
	$	$
Club equipment (cost $150 000) carrying value	?	76 000
Café equipment (cost $64 000) carrying value	?	22 000
Café wages in arrears	(3 250)	(2 730)
Heating and lighting in advance	900	1 900
Subscriptions owing	3 400	2 000
Subscriptions prepaid	(1 400)	(1 200)
Café payables	(14 800)	(16 600)
Café inventory (at cost)	6 400	5 900
Net total	?	87 270

The treasurer also prepared a summary of the bank account for the year ended 31 December 2022.

	$		$
Balance b/d	76 800	Rent	18 000
Annual subscriptions	68 000	Club administrative expenses	40 150
Life membership fees	24 000	Heating and lighting	7 500
Sale of club equipment	2 000	Purchase of club equipment	13 000
Café takings	55 000	Purchase of café equipment	8 800
		Payment for café suppliers	31 600
		Balance c/d	106 750
	225 800		225 800

The following information is also available.

1 All the café sales are made on a cash basis. Cash received from the café is banked.

2 Wages, $14 400, were paid out of the café's takings before they were banked.

3 The café inventory at 31 December 2022 included items with a cost of $2200 and a net realisable value of $300.

4 Life membership was introduced on 1 January 2020. Each life member has to pay $2000 on the date of admission. The life membership fee is to be transferred to income over ten years in equal amounts. The number of new life members admitted each year is as follows:

Year	New members
2020	6
2021	10
2022	12

5 Rent and also heating and lighting are apportioned 40% to the café and 60% to the club.

6 Club equipment with a carrying value of $4800 was sold for $2000.

7 Both the club equipment and café equipment are to be depreciated at 20% per annum using the reducing balance method. A full year's depreciation is provided in the year of acquisition and none in the year of disposal.

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Source B for Question 2

M Limited's statement of financial position at 31 December 2022 has been compared with the previous year. The results are as follows:

	Increased $	Decreased $
Land and buildings (carrying value)	77 800	
Machinery (carrying value)		34 600
Inventory		3 600
Trade receivables	5 900	
Cash and cash equivalents	55 000	
Trade payables	5 600	
Ordinary share capital ($1 shares)	140 000	
Share premium		20 000
Retained earnings	34 900	
8% bank loan		60 000

The following information is also available.

1 The carrying value of land and buildings at 31 December 2021 consisted of land at the cost of $150 000 and a building at the cost of $400 000. No depreciation had been provided on either the land or the building. The building was purchased on 1 January 2021.

2 A new building was acquired in 2022. On 31 December 2022, it was decided that depreciation should have been provided for both buildings at an annual rate of 5% using the straight-line method. The depreciation charge for 2022 was $26 200. The prior period adjustment had been made accordingly.

3 A machine with carrying value of $28 600 was sold for $29 500. The depreciation charge of machinery for 2022 was $42 600.

4 On 1 June 2022, an issue of 60 000 bonus shares was made on the basis of one ordinary share for every ten shares held. The policy of M Limited is to keep its reserves in the most flexible form. The bonus issue was fully covered by the share premium account.

On 1 August 2022, additional new shares were issued for cash at $1.50 per share.

5 On 1 March 2022, the 2021 final dividend of $0.08 per share was paid. On 1 October, an interim dividend of $0.12 per share was paid on the shares held on that date.

6 The 8% bank loan of $100 000 was taken out in 2020. A partial repayment of $60 000 was made on 1 April 2022.

7 Cash and cash equivalents at 31 December 2021 amounted to $42 000.

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Source C for Question 3

Alice and Bob had been in partnership for many years, engaging in the trading of wood. They shared profits and losses in the ratio of 3 : 2. The total contributed capital was $250 000. Each partner contributed capital on the basis of the profit-sharing ratio. On 1 January 2023, they agreed to sell the business to X Limited, also a trader of wood, for $420 000.

X Limited took over all the assets except cash at bank and a vehicle. The assets taken over were revalued as follows:

	Carrying value $	Revalued amount $
Premises	124 000	186 000
Equipment	38 000	32 000
Vehicle (one of the two vehicles)	23 000	18 000
Inventory	32 000	45 000
Trade receivables	73 000	71 000
	290 000	352 000

Further information is also available.

1 Alice took over the second vehicle (carrying value $25 000) at the value of $23 800.

2 The trade payables of $44 000 were settled after taking a cash discount of 5% and were paid out of the partnership's bank account.

3 Cash at bank at 31 December 2022 amounted to $27 000.

4 The purchase consideration was settled by:
- 200 000 ordinary shares of $1 each at a value of $1.60 per share
- the balance in cash.

5 The ordinary shares were issued to Alice and Bob equally.

6 Alice and Bob had a credit balance on their current accounts at 31 December 2022. The balance on Alice's account was twice that of Bob's. Their current accounts were transferred to their respective capital accounts on 1 January 2023.

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