Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

150331715 5

ACCOUNTING **9706/32**

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

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. Any blank pages are indicated.

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1 Read Source A in the insert.

(a) Prepare a statement to show the profit or loss for the year ended 31 December 2022 for the café.

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Workings:

[8]

(b) Prepare the club's income and expenditure account for the year ended 31 December 2022.

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Workings:

[9]

(c) Prepare a statement showing the movement in the accumulated fund for the year 2022.

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Workings:

[3]

Additional information

The management committee would like to buy the club's own premises but additional finance is required to carry out this plan. They are considering two options:

Option 1: Apply for a long-term loan from a bank.

Option 2: Obtain a personal loan from a wealthy member.

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

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..... [5]

[Total: 25]

2 Read Source B in the insert.

(a) Explain why M Limited made a prior period adjustment in information 2. Support your answer by stating the relevant International Accounting Standard and the accounting treatment.

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(b) Calculate the profit for the year ended 31 December 2022.

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(c) Prepare a statement of cash flows for the year ended 31 December 2022 in accordance with IAS 7.

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Workings:

[17]

[Total: 25]

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3 Read Source C in the insert.

(a) State **two** reasons why a business may acquire another business.

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[2]

(b) Prepare the realisation account at 1 January 2023.

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..... [4]

(c) Prepare, on **page 10**, the partners' capital accounts at 1 January 2023 to close the partnership books of account.

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Capital account

	Alice $	Bob $		Alice $	Bob $

Workings:

[10]

(d) Prepare journal entries in the books of X Limited to record the acquisition of the partnership. Narratives are **not** required.

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Additional information

With the cash she has received, Alice is considering setting up a new business trading in wood on her own.

(e) Advise Alice whether or not she should set up this new business. Justify your answer.

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..... [5]

[Total: 25]

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