Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

2023985371

ACCOUNTING **9706/33**

Paper 3 Structured Questions **October/November 2020**

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. Blank pages are indicated.

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Section A: Financial Accounting

Answer **all** questions.

1 Read Source A1 in the insert.

(a) Calculate the **correct** values of:

(i) inventory at 30 June 2020

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..... [4]

(ii) cost of sales for the year ended 30 June 2020.

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..... [2]

(b) Prepare a corrected income statement for the year ended 30 June 2020.

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Workings:

[15]

(c) Explain how your treatment of item 8 would be different if there was a 25% possibility of the company losing the case.

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..... [4]

[Total: 25]

2 Read Source A2 in the insert.

(a) Prepare the receipts and payments account for the year ended 31 December 2019.

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Workings:

[16]

(b) State **three** reasons why the difference between the total receipts and total payments in a receipts and payments account may not equal the surplus or deficit in an income and expenditure account.

1 .....

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2 .....

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3 .....

..... [3]

Additional information

The credit sales of running machines to members involved the members repaying their debt in instalments. The managing committee of the club is considering making future sales only on a cash basis.

(c) Name the financial statement in which the write-off of an irrecoverable debt arising from the sale of a running machine to a club member would be recorded.

..... [1]

(d) Advise the committee whether or not future sales should only be made on a cash basis. Justify your answer, making reference to the effect of this change on the club's cash flow and its surplus/deficit for the year.

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..... [5]

[Total: 25]

3 Read Source A3 in the insert.

(a) State **three** reasons why VC plc might want to buy the partnership.

1 .....

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2 .....

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3 .....

..... [3]

(b) State **three** ways in which the purchase consideration might be settled.

1 .....

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2 .....

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3 .....

..... [3]

Additional information

Arthur says that as there were only two partners, he is entitled to receive half of the purchase consideration.

(c) Advise Belinda whether or not she should agree to Arthur receiving half of the purchase consideration. Justify your answer.

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..... [5]

Additional information

VC plc took over all the assets and liabilities of the partnership except for the bank account. The assets were revalued for the purposes of the sale.

The book value of the assets and liabilities of the partnership on 1 January 2020, along with the revalued amounts, were as follows.

	Book values $	Revalued amounts $
Premises	98 000	168 000
Equipment	61 000	45 000
Vehicles	14 800	14 950
Inventory	31 270	30 000
Trade receivables	19 440	18 500
Trade payables	15 100	15 100

(d) Suggest **two** reasons for the difference in the values for the equipment.

1 .....

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2 .....

..... [2]

(e) Calculate:

(i) the value of goodwill recorded in the books of VC plc

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..... [3]

(ii) the total profit on realisation made by the partnership.

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..... [3]

(f) Explain the treatment of the total profit on realisation made by the partnership in **(e)(ii)**.

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..... [2]

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(g) Explain why a revaluation reserve may appear in the financial statements of a limited company but not in the financial statements of a partnership.

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..... [4]

[Total: 25]

4 Read Source A4 in the insert.

(a) Prepare a schedule of non-current assets for the year ended 31 March 2020 in accordance with the provisions of IAS16, suitable for inclusion in the notes to the accounts.

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(b) Identify the total figures from the summarised ledger accounts which would appear in the statement of cash flows for the year ended 31 March 2020. State the section of the statement of cash flows in which each figure would be recorded.

Use the table below for your answer.

Description	$000	Section

[10]

(c) Explain how your answer to **(a)** would be different if the premises had been revalued upwards at the end of the year.

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..... [2]

(d) Explain how your answer to **(b)** would be different if the premises had been revalued upwards at the end of the year.

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..... [2]

(e) State **two** items (other than the initial purchase price) which can be included in the total cost of a non-current asset when following IAS16.

1 .....

2 ..... [2]

[Total: 25]

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[Turn over

Section B: Cost and Management Accounting

Answer **all** questions.

5 Read Source B1 in the insert.

(a) Calculate the selling price of one unit.

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..... [6]

Additional information

The directors are considering starting the manufacture of a deluxe version of the product. The plan is to manufacture and sell 1000 units of the deluxe version per year in addition to the standard version already being made. The percentage of mark-up would be unchanged.

Data relating to the deluxe version are as follows.

Direct material	$30 per unit
Direct labour	$20 per unit
Machine set-ups	350 per year
Quality inspections	400 per year
Orders processed	770 per year

The production overhead costs would be the same for each occurrence of an activity for the deluxe version as for the standard version. The per-unit selling and distribution costs would be unchanged.

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(b) Calculate the selling price of one unit of the deluxe version.

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..... [12]

(c) State **two** concerns the directors might have in setting the selling price of the deluxe version.

1 .....

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2 .....

..... [2]

Additional information

One of the directors is suggesting halving the number of quality inspections.

(d) Advise the directors whether or not they should halve the number of quality inspections taking place. Justify your answer.

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..... [3]

(e) State what is meant by the following terms.

(i) Cost driver

..... [1]

(ii) Cost pool

..... [1]

[Total: 25]

PLEASE TURN OVER

6 Read Source B2 in the insert.

(a) State, with regard to standard costing, **two** advantages and **two** disadvantages.

Advantage 1 .....

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Advantage 2 .....

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Disadvantage 1 .....

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Disadvantage 2 .....

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[4]

(b) Prepare a budgeted income statement in respect of the master budget and the flexed budget for March 2020.

	Master budget $	Flexed budget $

[6]

Additional information

The increase in sales units in March 2020 was the result of a special promotion where the selling price was reduced to $14.50.

(c) Prepare a statement reconciling the budgeted sales revenue from the master budget with the total actual sales revenue for March 2020, using relevant variances.

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..... [4]

Additional information

After the success of the promotion in March 2020, the company is considering reducing the selling price still further, to $13. At this price, the company expects to sell 14 000 units a month.

(d) Name the variances which would be affected if the selling price was reduced to $13 per unit. Show the revised amounts of these variances.

Use the table below for your answer.

Variances	Revised amounts ($)

[4]

(e) Advise the directors whether or not they should proceed with the suggested reduction in selling price to $13 a unit. Support your answer with calculations.

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..... [7]

[Total: 25]

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