Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **October/November 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

H plc is a manufacturing company. It has applied a rate of factory profit of 25% for some years. Its draft statement of profit or loss for the year ended 30 June 2023 was as follows:

	$	$
Revenue		370 000
Inventory of finished goods at 1 July 2022	25 000	
Cost of production	237 500	
Inventory of finished goods at 30 June 2023	(27 500)	
Cost of sales		235 000
Gross profit		135 000
Factory profit		47 500
Administrative expenses	40 500	
Distribution costs	31 000	(71 500)
Profit for the year		111 000

The following information is also available.

1 The inventory values and cost of production were all shown **at transfer value**.

2 The increase in the provision for unrealised profit was included in the administrative expenses.

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Source B for Question 2

The BU Club is a club providing sports facilities to its members. It also holds tournaments for which it awards prizes. The club admits life members as well as ordinary members.

Its assets and liabilities were as follows:

	31 May 2023	31 May 2022
	$	$
Non-current assets (Carrying value)	76 500	78 000
Cash at bank	8 320	3 200
Subscriptions in arrears	450	850
Subscriptions received in advance	150	250
Prepaid tournament expenses	115	520
Accrued tournament expenses	445	430
Inventory of tournament prizes	630	980
Accrued wages	920	650

The following information is also available.

1 The life membership fund on 31 May 2022 amounted to $5100.

2 Total receipts of the club for the year were as follows:

	$
Subscriptions from ordinary members	28 600
Life membership fees	4 000
Tournament entry fees	15 200

3 The payments made by the club for the year included the following:

	$
Tournament prizes	2 800
Tournament expenses	11 520

4 On 31 May 2022 the club had seven life members. Four new members took out life membership during the year. The life membership fund is released to the income and expenditure account at the rate of $100 for each life member at the end of the year.

5 During the year ended 31 May 2023 overdue subscriptions, $500, were considered irrecoverable and written off.

6 New non-current assets were bought during the year. The total depreciation charge for the year was $8050.

7 The wages cost incurred during the year was $16 970.

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Source C for Question 3

TG plc is an expanding company with a financial year end of 31 December.

A junior member of the accounts staff took the statements of financial position of the company at 31 December 2022 and 2021 and prepared the following draft statement of cash flows.

	$
Profit for the year	76 000
Increase in property, plant and equipment	(472 000)
Increase in inventory	(14 000)
Increase in trade receivables	(19 000)
Increase in trade payables	11 000
Increase in tax payable	6 000
Decrease in interest payable	(3 000)
Increase in long-term bank loan	30 000
Increase in ordinary share capital	400 000
Increase in revaluation reserve	300 000
Decrease in share premium	(250 000)
Cash flow from activities	65 000
Dividend paid	(54 000)
Net cash flow	11 000
Bank balance at 1 January 2022	17 000
Bank balance at 31 December 2022	28 000

Further information is available as follows:

1 The statement of profit or loss showed a tax charge of $32 000 and finance expenses of $15 000.

2 Share capital consists of ordinary shares of $1 each. Two share issues were made during the year.

The first was a bonus issue of 300 000 shares which was funded entirely from the share premium account.

The second was a rights issue of 100 000 shares at a premium.

3 New machinery, $348 000, was bought. Motor vehicles with a carrying value of $56 000 were sold for $71 000.

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