Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/33**

Paper 3 Financial Accounting **October/November 2024**

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.

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Source A for Question 1

Andy and Betty had been in partnership for 30 years. They shared profits and losses equally as they spent equal numbers of hours working in the business.

Betty no longer wanted to spend so many hours working for the business. Andy suggested that he should work most of her hours but that the profit-sharing ratio should be changed to 4:1. Betty agreed, and the partnership agreement was changed on 1 October 2023.

The partners knew that their capital accounts should be adjusted for the goodwill which had arisen over the years but were not sure of its value. Goodwill was not to be retained in the books of account.

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Source B for Question 2

The members of C Society are concerned about plastic waste in the oceans. They have therefore formed a group to go out as teams of volunteers and pick up waste from the beaches.

The members pay an annual subscription which pays for the running of a minibus which takes them to and from the beaches. C Society also rents a small shed where items belonging to it are kept, and where members are provided with refreshments on their return.

C Society also receives grants and donations which may cover several years.

The following information is available.

1 Receipts and payments account for the year ended 31 December 2023

	$		$
Balance b/d	1300	Refreshments	500
Subscriptions	3200	Rent	3900
Grants and donations	4100	Refuse bags	100
		Coloured jackets	240
		Minibus expenses	3580
		Balance c/d	280
	8600		8600

2 Assets and liabilities

	1 January 2023	31 December 2023
	$	$
Subscriptions in arrears	300	120
Minibus (at valuation)	16200	14100
Coloured jackets (at valuation)	1100	?
Minibus insurance paid in advance	200	260
Deferred income (from grants and donations)	2700	?

3 Members wear coloured jackets while on the beach to ensure their visibility. Unless they are lost or stolen, coloured jackets can be used for approximately 15 years. Therefore their purchase is classified as capital expenditure.

4 Values for inclusion in the income and expenditure account for the year ended 31 December 2023 included the following:

	$
Coloured jackets	190
Grants and donations	5000

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Source C for Question 3

CD plc prepared draft financial statements for the year ended 31 December 2023. Its draft statement of cash flows was as follows.

	$
Profit from operations	76 000
Depreciation	19 000
Increase in inventory	(8 000)
Increase in trade receivables	(2 000)
Increase in trade payables	7 000
Cash from operations	92 000
Tax paid	(15 000)
Net cash from operating activities	77 000
Cash flow from investing activities	
Purchase of fixtures and fittings	(39 000)
Cash flow from financing activities	
Dividends paid	(28 000)
Net increase in cash and cash equivalents	10 000
Cash and cash equivalents on 31 December 2022	(22 000)
Cash and cash equivalents on 31 December 2023	(12 000)

The following information was also available.

1 The value of inventory on 31 December 2023 in the draft financial statements was overstated by $5000.

2 A machine was sold on 31 July 2023 for $26 000. This had been recorded by debiting the bank account and crediting the sales account with the proceeds of sale.

The machine had been bought on 1 February 2021 for $32 000. It is the company's policy to depreciate machinery at the rate of 15% per annum using the straight-line method and to calculate depreciation on a monthly basis. Because of the error in recording the disposal, depreciation on the machine was calculated as though it was still owned by the company at the end of the year.

3 An impairment review took place on 31 December 2023 although no entries were made in the books of account.

Vehicle A had a carrying amount of $28 500, a value in use of $29 000 and could be sold for $26 500.

Vehicle B had a carrying amount of $36 000, a value in use of $32 000 and could be sold for $33 000.

4 It was determined that the allowance for irrecoverable debts was to be increased by $1000 at the end of the year.

5 On 31 December 2023 the company received a long-term bank loan of $20 000. This had not been recorded in the books of account.

6 On 2 January 2024 the company learned that a customer, who had owed $4000 at the year end, had gone out of business and was not expected to pay the debt.

7 On 5 January 2024 a fire destroyed inventory, $17 000, which had been purchased during December 2023.

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