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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

9974641734

ACCOUNTING **9706/33**

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

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.

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[Turn over

1 Read Source A in the insert.

(a) Explain why the partners were **not** sure of the value of the goodwill.

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(b) State which partner would prefer the value given to the goodwill to be as low as possible. Give a reason for your answer.

Partner .....

Reason .....

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[2]

Additional information

The partners finally agreed on a value of $100 000 for the goodwill and the capital accounts were adjusted.

Later that year Andy decided that he no longer wanted to work the extra hours, and the partners decided to sell the business.

The business was acquired by AD plc on 31 December 2023. It took over all the assets and liabilities of the partnership except for the bank account for a purchase consideration of $620 000. The partnership's statement of financial position immediately prior to the acquisition showed the following:

	$	
Andy's capital and current accounts	221 500	
Betty's capital and current accounts	291 300	
Bank	49 900	debit

The partnership also paid legal fees of $3000 in relation to the sale of the business.

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(c) Calculate the profit on realisation made by the partnership.

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(d) Discuss how Betty's decision to agree to Andy's suggestion to change the partnership agreement impacted Betty. Support your answer with calculations.

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Additional information

The purchase consideration was settled by $200 000 in cash and 600 000 ordinary shares of $0.50 each.

Assets and liabilities were taken over at the following values.

	$
Premises	510 000
Fixtures	18 000
Inventory	42 200
Trade payables	15 600

(e) Prepare the journal entry in the books of AD plc to record the acquisition of the partnership. A narrative is required.

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(f) Advise Betty whether she should keep her shares in AD plc or sell them. Justify your answer.

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2 Read Source B in the insert.

(a) Explain why the figure for coloured jackets in the receipts and payments account is different from the figure in the income and expenditure account.

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(b) Explain why the income from grants and donations is different in the receipts and payments account from the income and expenditure account.

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(c) Prepare the income and expenditure account for the year ended 31 December 2023.

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(d) Complete the following table by calculating the following values for inclusion in the statement of financial position at 31 December 2023. State the section of the statement where **each** would be shown.

	$	Section of statement of financial position
Coloured jackets		
Deferred income		

[4]

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(e) Advise the managing committee whether or not they should start to include the value of the inventory of refreshments and refuse bags in the financial statements. Justify your answer.

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Additional information

Members wear coloured jackets belonging to C Society whilst on the beaches. Every year four or five jackets go missing and have to be replaced. In 2023 four new jackets were purchased.

A local pharmaceutical company with a factory on the coast nearby has made a cash donation of $400 to C Society every year since it started. It has now suggested that it stops making the cash donation and instead provides C Society with nine new jackets each year. These would bear a large logo of the pharmaceutical company across the back.

(f) Discuss how this suggestion from the pharmaceutical company may impact C Society.

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3 Read Source C in the insert.

(a) Calculate a revised value for the profit from operations for the year ended 31 December 2023.

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Workings:

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(b) Prepare the revised statement of cash flows for the year ended 31 December 2023 in accordance with IAS 7.

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(c) Explain how an event can be determined to be adjusting or non-adjusting.

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(d) Explain what is meant by the term 'recoverable amount' when undertaking impairment reviews.

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(e) State **two** reasons why the company should continue undertaking impairment reviews.

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