Cambridge International AS & A Level

ACCOUNTING **9706/32**

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

INSERT **1 hour 30 minutes**

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 **8** pages. Any blank pages are indicated.

DC (PQ) 337118/4

Source A for Question 1

H plc manufactures one product which it sells to the public via its website and by mail order. It accounts for factory profit so that the transfer price from the factory is equivalent to the buy-in price which the business would otherwise have had to pay.

A summarised trial balance at 30 September 2024 was as follows:

	Debit	Credit
	$	$
Premises	600 000	
Factory machinery	265 000	
Office equipment	105 000	
Delivery vans	76 000	
Provision for depreciation		
Factory machinery		43 000
Office equipment		26 500
Delivery vans		15 200
Inventory 1 October 2023		
Raw materials	23 000	
Finished goods	28 080	
Trade receivables	86 200	
Trade payables		66 300
Bank	31 370	
Ordinary share capital		420 000
Revaluation reserve		190 000
8% debenture (2030)		200 000
Provision for unrealised profit 1 October 2023		4 080
Retained earnings		82 870
Revenue		866 000
Purchases	141 000	
Carriage inwards	4 900	
Factory labour	180 900	
Factory overheads	167 500	
Administrative expenses	109 800	
Distribution costs	87 200	
Finance costs	8 000	
	1 913 950	1 913 950

The following information was also available.

1 The rate of factory profit for the year ended 30 September 2024 was 19%.

2 Inventories at 30 September 2024 **at cost** were:

	$
Raw materials	21 000
Finished goods	15 000

3 The premises were revalued during the year. There were no disposals of non-current assets during the year.

4 Depreciation was still to be provided. The depreciation charges for the year were:

	$
Factory machinery	23 600
Office equipment	10 500
Delivery vans	12 160

5 The debenture was issued in 2020.

Source B for Question 2

Amina and Belinda had been in partnership for some years, sharing profits and losses equally after allowing for interest on capital. Their financial year end was 31 December.

On 1 July 2023 Nigel was admitted as a partner. From then on profits and losses were shared equally between the three partners and the rate of interest on capital was unchanged.

Profit for the year ended 31 December 2023 was $124 000.

The partnership's accountant, Pyotr, divided the profit evenly between the six-month period ended 30 June 2023 and the six-month period ended 31 December 2023 and produced the capital accounts and current accounts for the year.

Capital accounts

	Amina $	Belinda $	Nigel $		Amina $	Belinda $	Nigel $
				Balance b/d	60 000	60 000	
Balance c/d	60 000	60 000	80 000	Bank			80 000
	60 000	60 000	80 000		60 000	60 000	80 000

Current accounts

	Amina $	Belinda $	Nigel $		Amina $	Belinda $	Nigel $
Balance b/d		1 100		Balance b/d	4 900		
Drawings	38 500	47 100	18 200	Interest on capital (first period)	1 500	1 500	
				Interest on capital (second period)	1 500	1 500	2 000
				Share of profit (first period)	29 500	29 500	
Balance c/d	17 900	3 300	2 800	Share of profit (second period)	19 000	19 000	19 000
	56 400	51 500	21 000		56 400	51 500	21 000

Amina realised that Pyotr had **not correctly** taken the following into account when dividing the annual profit between the two six-month periods.

1 An irrecoverable debt of $13 000 had been written off in December 2023 after a major customer went out of business. This debt related to sales made in August 2023.

2 A significant acquisition of new non-current assets was made on 1 July 2023, when $50 000 of Nigel's capital contribution was spent on new equipment. It is the policy of the partnership to depreciate equipment using the straight-line method at the rate of 20% per annum, calculated on a monthly basis.

Source C for Question 3

Vinisha had $16 000 to invest. She had three objectives.

1 Being risk averse she wanted to invest in a company that would always have a gearing ratio of less than 40%.

2 She wanted to earn a return in the form of dividends of at least 10% per annum.

3 She wanted to make a profit when she sold the shares in the future.

During 2021 she bought 5000 ordinary shares of $2 each in X plc. The following information is available about X plc.

At 31 December 2021

	$
Share capital	200 000
Share premium	20 000
Retained earnings	165 000
Non-current liabilities	215 000

Of the non-current liabilities, $10 000 were due to be repaid during 2023 and the remainder in 2026 or later.

Year ended 31 December 2022

A new issue of 50 000 ordinary shares was made raising $140 000. Vinisha did **not** buy any of the new shares.

Profit for the year amounted to $90 000 and dividends of $67 500 were paid on all shares including those from the new share issue.

The market price of one share at the year end was $2.40.

Year ended 31 December 2023

A bonus issue of ordinary shares was made on the basis of three new shares for every ten held.

Debentures, $190 000, were issued.

Profit for the year amounted to $128 700 and dividends of $78 000 were paid on all shares including those from the bonus issue.

The market price of one share at the year end was $3.30.

BLANK PAGE

BLANK PAGE

BLANK PAGE